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THE AMERICANIZATION  
OF LABOR



# THE AMERICANIZATION OF LABOR

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*The Employers' Offensive  
Against the Trade Unions*

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BY ROBERT W. DUNN

*With an Introduction by*  
SCOTT NEARING



NEW YORK  
INTERNATIONAL PUBLISHERS

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## INTRODUCTION

By SCOTT NEARING

*The Americanization of Labor* describes one theme in a general pattern that has been running through American public life for more than a generation. Since 1898 the ruling class of the United States has emerged with dramatic suddenness from a position of uncertainty at home and of relative obscurity in world affairs to the dizzying heights of power and prestige.

Business class power in the United States is not the result of accident. Since the organization of the Standard Oil Co. in 1870, of the United States Steel Corporation in 1901, and the passage of the Federal Reserve Act in 1913 the business interests have added steadily to their wealth and to their control over the political and social machinery of the country. Probably there is no country in the world to-day where the business interests occupy a position of such unchallenged power as that which they now hold in the United States.

Economic and historic forces have united to push the United States business interests into the foreground. Business leaders have planned and manipulated. Deliberately they have forged the links in the chain of their economic power. To-day they have, almost within their grasp, a monopoly of the best exploiting opportunities in the world. A brief description of some of the more important factors in this quick rise to power forms an excellent background from which to consider a detailed study of the offensive recently inaugurated by the American employers against the organized workers.

The Civil War, which ended in 1865, closed the period of



agricultural domination of United States public affairs. Up to 1860 Southern slave-holders were a major influence in the Federal Government as well as the ruling factor in the South and Southwest. The North was under the control of bankers and business men. With the defeat of the slave-holders in 1865 a change began which has placed the South as well as the North in the hands of the business class. To-day the Chamber of Commerce is as strong in Birmingham and Dallas as it is in Buffalo and Detroit. Furthermore, the development of the far West, which took place chiefly after the Civil War, was under business class auspices. To be sure, there were mortgaged farms in Kansas, the Dakotas, Idaho, and Wisconsin that laid the economic foundation for sporadic protest in the greenback and free silver campaigns. At no time during the last fifty years, however, have American farmers been able to make a real bid for economic preferment and political power.

Organized labor in the United States has generally refused to take an active part in political struggles, contenting itself with action on the industrial field. In European countries organized business finds itself politically confronted by organized labor. Organized business in the United States defeated organized agriculture in 1865 and has succeeded in keeping labor politically unorganized ever since. Economically and politically, the business class occupies a position of supremacy in American public life.

The unopposed rule of the business interests constitutes the basis from which the present employers' offensive against labor is being directed. In their conflicts with potential opponents at home and in their foreign rivalries American business interests can count upon a virtually united country.

Wealth power is of course the keystone in the arch which the American business interests have been building. United States wealth stood at thirty billion dollars in 1870; at eighty-eight billion in 1900; at one hundred eighty-six billion



in 1912; at three hundred twenty-one billion in 1922; and at four hundred billion in 1927. There was a corresponding increase in the total income of the United States; which was thirty-one billion dollars in 1910; seventy-two billion in 1920; and ninety billion in 1926.

If, as experts estimate, the available economic surplus in the United States is from twenty to twenty-five per cent of the annual income, the volume of surplus must have increased from about six billion dollars in 1910 to about twenty billion in 1926.

Compared with foreign countries the wealth position of the United States has recently undergone a profound change. In 1870 the wealth of Great Britain was forty billion dollars; of Germany, thirty-eight billion; of France thirty-three billion; and of the United States thirty billion. All four of these leading industrial states were relatively equal in wealth, with the United States at the foot of the list. By 1912 the order had been completely reversed. The United States headed the list with one hundred eighty-six billion dollars; Britain came second with eighty billion; Germany followed with seventy-eight billion; and France was a poor fourth. Thus, at the outbreak of the World War the wealth of the United States was more than equal to the combined wealth of Britain and Germany. In 1922, when the economic consequences of the War had made themselves widely felt, the wealth of the United States was four times that of Britain and was more than equal to the wealth of Britain, Germany, France, Italy, Russia, Belgium and Japan combined. This differential in favor of the United States is more emphatic in 1927 than it was in 1922, so that the American ruling class literally wields the wealth power of the world.

The Spanish-American War (1898) marked an important division line in American ruling class activity. Up to that time American surplus wealth had been used to build railroads, factories and stores inside the United States. In ad-

dition, the rapid economic development of the United States had led European investors to place about three and one-half billion dollars in American industry and agriculture.

With the ending of the nineteenth century a point was reached where the economic surplus of the United States was sufficiently great to provide for domestic needs and to leave a surplus for export. The total foreign investments of United States business in 1900 were less than five hundred million dollars, of which the bulk was in Mexico, Cuba, and Canada. Since that date, however, capital export from the United States has steadily increased until, at the present time, the United States is probably exporting more capital than all the other capital exporting nations of the world combined. All of the important countries in Europe and Asia, portions of Africa, and the whole of Latin America, are debtors to the United States.

World supremacy for the American ruling class followed from the World War. Economically, the United States, in 1914, was in a dominant position. Politically, the American ruling class had never asserted itself in world affairs. During three war years the United States remained neutral: that is, its business men were free to sell to both sides, and to reap a profit which has never been equaled by any business group in a similar length of time. Between 1915 and 1922 United States exports exceeded imports by eighteen billion dollars. Roughly, therefore, the world went into the debt of the United States to the extent of about eighteen billion dollars in six or seven years.

The quick rise to a position of international supremacy was paralleled by the change in the domestic position of the American business class. When the peace was signed in Europe the American business interests opened their war on United States labor. The World War experience had not only brought them undreamed wealth and a consciousness of their new

power, but it had given them the machinery with which to consolidate their position.

Consider the assets of the American business class:

1. The ownership under private property law of the entire economic mechanism, including railroads, factories, mines, stores, banks, and land.

2. The control through banking and credit of the wealth surplus of the country.

3. A vast and rapidly increasing vested income from stocks, bonds, mortgages, notes.

4. The controlling position of international creditor.

5. Rapid colonial expansion, particularly in the Caribbean.

6. A well organized and generously financed army and navy.

7. The control of propaganda machinery, including schools, the press, the church, the movie, the radio, the advertising profession.

There is only one uncertain factor in the situation: labor; the threat of working class organization; the danger of a proletarian bid for power.

Since the War American workers have been maneuvered into a critical economic position. Their unions have lost a third in membership; they have suffered severe defeats, particularly in the labor battles between 1919 and 1922; they have assumed many economic obligations, such as installment purchases, which strain every source of income; and they have no guarantee of job tenure.

The labor situation was uncertain in 1919. Russian workers had established the Soviet State; Central Europe was in the throes of revolution; Italy was on the verge of revolt; British workers were reaching out for power. In the United States rebel strikes were occurring in widely scattered industries and demonstrations of solidarity with revolting European labor were being held from coast to coast. What should the employing interests do? *The Americanization of Labor* tells what they did.

A word should be said, however, regarding the limitations under which the American ruling class is working. They hold the economic and social machinery in their fists. They have hamstrung labor. But there are at least four things that the members of the United States ruling class cannot do:

1. They cannot give the workers steady work. Like the masters in every capitalist country, they are the victims of periodic industrial depression, and like the workers in every capitalist country, the workers in the United States are now facing slack work and unemployment, with rents and prices high.

2. They cannot prevent the increasing concentration of wealth and power in the hands of a wealth owning class. This means that the rich grow richer, and that the contrast between the rich idle owner and the poor worker tends to increase. Class division and class struggle are inevitable accompaniments of the present order.

3. They cannot prevent revolt and rebellion in their spheres of influence, dependencies, and colonies, where exploited workers and restricted native business interests struggle for the defense of local economic activity against imperial aggression.

4. They cannot avert war. Already active preparations are being made for the next great struggle between rival empires to determine which shall have the right to exploit and plunder the earth.

The United States business class is using stock ownership, piece-work with bonuses, personnel work, welfare activities, the company union, the blacklist, the spy system, as the weapons with which to smash the labor movement. In most of the basic industries—steel, electric manufacturing, meat packing, oil refining—they have succeeded in establishing the open shop: organized employers exploiting unorganized workers.

What answer are the American workers making to this



attack? Thus far, with the exception of some scattering activity on the part of the left wing elements in the needle trades, the miners, the painters, and two or three other unions, there has been no organized answer beyond the American Federation of Labor policy of working harmoniously with the employing class under the guidance of organizations like the National Civic Federation.

Such a policy offers no way out for the American workers. By pursuing these tactics they merely place themselves at the mercy of the bosses, and the evidence printed in this volume should convince any worker as to what that means.

There is but one line of attack open to the American workers at the present moment. They must meet the offensive of the bosses squarely and fight back, at the bosses as well as against the economic system that the bosses represent. Labor organization invites a united front of the workers against their exploiters. The American workers must organize such a united front on the economic as well as political fields before they can hope to win in the face of the present employers' offensive.

What the United States ruling class must do, if it is to maintain its position and advance its interests, is to keep the masses loyal,—ready to work, to starve, to fight, and, if necessary, to die that the United States business interests may collect their six per cent on "legitimate" investments. That is one of the tasks on which the American rulers are now busy. It is their efforts in this direction that Robert Dunn has selected for this excellent study.



## PREFACE

This book describes some of the "newer" as well as some of the "older" defenses—and offensives—of capitalism. It does not claim to cover all the devices used by the employers against the workers throughout the course of American industrial history. It deals primarily with the tactics of the corporations since the World War. During this period the American trade union movement has received heavy direct blows from the organized employers. It has also been attacked from other angles and in more subtle ways. These recent efforts of the employers to gild and lighten somewhat the chains of industrial exploitation are described in this book.

The significance of these less ruthless anti-union devices has been brought to our attention in recent months through the visits of various labor-capital delegations from foreign countries. They have usually been banqueted by the anti-union corporations, cheerfully guided by the labor managers through selected open shop plants, and presented with company booklets extolling the humanitarian works of management. They have been told of the social harmonies and joys inherent in company unions, employee stock distribution, group insurance, and other boons and benefits provided by "enlightened" personnel departments.

It is a fact that many of these personnel devices are being copied abroad, at least in those industries where trade unions are not so well entrenched. European unionists, with years of struggle and achievement behind them, who are now witnessing the "rationalization" of the industrial processes, are likely to see accompanying this an increasing Americanization of the "employer-employee relationship." At least this is the trend during the present period of temporary stabilization of capi-

talism in Europe. Because of this tendency to copy American tactics as a means towards neutralizing the class struggle, they acquire a double importance and deserve thorough study by British and continental unionists.

Although this volume pays special attention to these subtler tactics for destroying the American unions, it should not be concluded that the cruder tactics of the corporations and the employers' associations are giving way permanently to the softer approach. As an interim method, the latter may serve to keep labor unorganized in the basic industries such as steel, meat-packing, automobiles, electrical equipment, rubber, and oil. But the American employing class which maintains its powerful and resourceful rulership over this country will again carry on smashing open-shop drives such as those described in Part I. The imperialists of the United States in their struggles for world power and profits, will resort, when the occasion requires, to the most brutal methods of oppression. However, at the moment, the welfare wave is high. The employing corporations are cultivating "good will" and "mutual coöperation" among their subject workers. While these practices are in the ascendant, they are worth describing and their effects upon the unions evaluated.

The trade unions in this country face in these practices a challenge to their very existence. A vigorous policy and program for meeting them must be worked out. It is hoped that this study may help stir practical trade unionists to devise more militant and realistic measures for meeting both the warfare and welfare offensives of the employers.

The author wishes to express his appreciation to a long list of friends in the trade union movement who have given him helpful advice and suggestions.

ROBERT W. DUNN.

July, 1927.



# THE AMERICANIZATION OF LABOR

## I. BUILDING THE BOSS CLASS MACHINE

### CHAPTER I

#### THE AMERICAN PLAN

"AMERICAN PLAN" is the term the employers use to designate the open or non-union shop. It sounds thoroughly patriotic and is calculated to put the advocates of the union shop on the defensive. The implication intended is—if the employers stand for something called "American Plan," the employees who resist this condition must stand for something anti-American, or at least un-American. So the employers must have reasoned when they hit upon this phrase. From their point of view it was a very happy one. Just where the term originated or what patriotic genius invented it, we do not know, although it has been reported that the secretary of a certain local employers' association coined it. However, we do know that it was born in the period of one-hundred per-centism which broke out following the World War and the Russian Revolution. To be anything less than a 100% American, according to the standard of the business man and the business government, was to risk one's job if not one's physical safety. The word "American" had reached its hey-day. Even the Europeans still worshiped at the throne. To be "different" was to be Bolshevik. It was the correct psycho-

logical moment for the enemies of trade unionism to label their crusade "American."

To indicate the extent to which this cult of patriotic conformity was carried by anti-union manufacturers, we may note the utilization of the Red, White and Blue in connection with American Plan propaganda. An issue of the influential *Iron Trades Review* of the period carried an article on the open shop in the metal industry. Accompanying the article was an emblem bearing the words, "Product of an Open Shop," and the explanatory note: "In this label used by several manufacturers the national colors are used to good effect." The emblem appeared on a sticker placed on all goods turned out by certain non-union firms.

Another popular insignia, still used by such energetic anti-union bodies as the Open Shop Division of the Oklahoma City Chamber of Commerce, shows a circle with "The Open Shop" at the top, "A Square Deal for All" decorating the center, and at the bottom, in solid letters, the word "AMERICANISM." In addition we have the "American Plan Emblem" originated by the Associated Employers of Indianapolis. In 1923, at least, it was claimed by this association that this emblem was being used extensively by open shop firms throughout the United States. It contains a screaming American eagle perched on a shield bearing the words, "American Plan Product—Independent Shop." Above the eagle is a scroll bearing thirteen stars. Behind the eagle and the scroll is the rising (or is it the setting?) sun.

The use of the term "American Plan" was obviously nothing but a clever appeal to current public prejudice in order to turn it against the unions. This chauvinization of the employer's propaganda is, of course, not a novel device. It has been practised in other countries, though perhaps not in such a blatant and unpolished manner. For example, John H. Shirk, Chairman of the Open Shop Division of the Oklahoma City Chamber of Commerce, writing recently to H. H.

Anderson, secretary of the Employers' Association of Kansas City, declaims, "The stars and stripes form a net-work around my heart and at every pulsation I fancy one of the stars in the field of blue takes on a brighter hue." Similar sentiments may be common among the die-hard anti-laborites abroad, but so far as we know, the Tory anti-union shop proponents in England have not as yet labeled their "new idea" the "British Empire Plan of Employment."

Of course the employers in the United States have their own definitions of the American Plan. At first hearing they have a very benevolent ring, most of them expressing willingness to let workers join a union, as individuals—but not as a shop. The Social Action Department of the National Catholic Welfare Conference meets this "no discrimination" sophistry very nicely:

"Of what avail (it asks) is it for workers to be permitted by the employers to become members of unions if the employers will not deal with the unions? The workers might as well join golf clubs as labor unions if the present 'open shop' campaign is successful. The 'open shop' drive masks under such names as 'The American Plan' and hides behind the pretense of American freedom. Yet its real purpose is to destroy all effective labor unions, and thus subject the working people to the complete domination of the employers."

That the big American employers and employers' associations conceive of the open shop as a shop closed to union men was demonstrated time and again during the days of the more intense open shop drives and in practically every situation since, where a union has attempted real organizing work. Both the words and deeds of the corporation open shop advocates also indicate what they mean by the phrase.

Testifying before a state housing investigation committee in New York, December 16, 1920, the president of the Bethlehem Steel Corporation, Eugene C. Grace, said that he kept an "open shop" but that he would not deal with a labor union

even though the union embraced 95 per cent of his workers. He admitted also that, in conjunction with other steel manufacturers, he had refused to sell his products to builders who would not adopt the same open shop—non-union—policy. Before the same committee, a few days later, C. E. Cheyney, Secretary of the National Erectors' Association, admitted that his organization, in coöperation with the National Fabricators' Association, had adopted an open shop policy and that this meant giving employment to non-union members only. He stated that, "an open shop is a shop in which the foremen are expected to see to it that there are no union men."

That the open shop means nothing more than the no-union-man shop will become even clearer as we survey in the next chapter the offensive against labor organizations carried on by the organized employers during 1919-1922, and in subsequent attacks on particular trade unions.



## CHAPTER II

### THE DRIVE FOR THE OPEN SHOP

*1920-1921*

THE close of the World War found American labor greatly strengthened in organized power and prestige, but the basic industries such as steel were still almost completely unorganized. Coal and railroad unions had made great strides as had almost all of the long-established unions, particularly in the building trades. Labor had coöperated closely with the government and with the employers during the war. Under the leadership of Samuel Gompers, the American Federation of Labor had turned its energies into chauvinistic patriotic channels. It had been completely hypnotized by the industrial democracy, war for democracy, and other slogans of President Wilson, and by the recognition given to the union leaders during the war days. With the end of the war and the years following came "labor's reward" for this loyalty during the conflict—federal troops and federal injunctions in the coal and the railroad strikes being the conspicuous examples, while local and state police, as we shall see, played their part in such conflicts as the great steel strike of 1919.

At the same time the employers inaugurated what were known as open shop drives. They were eager to recover their lost positions and win back autocratic control over their properties and businesses. Anti-union sentiment flared up. A reaction against labor set in. With the industrial depression of 1920, and increasing unemployment, a vigorous anti-union movement got under way. Employers took advantage of labor's weakened condition to launch a strong attack on

wages, on union standards, and on the whole institution of union recognition and collective bargaining. The slogan of the campaign was sounded by William H. Barr, President of the National Founders' Association: "War-time wages must be liquidated." Another word used was "reconstruction," which meant, above all else, to this type of capitalist, the annihilation of the trade union movement.

This open shop drive of 1920-1921 was undoubtedly the most militant and widespread offensive ever undertaken by the American employing class—a class which has probably shown greater vigor and fighting spirit than in any other country.<sup>1</sup> All the "anti-Hun" sentiment of the war days and the anti-Bolshevik fervor following the Russian Revolution were somehow distilled into an anti-trade union feeling that gave the open shop drive a particularly revengeful and ruthless aspect. We have no room here to quote the extreme outcries against union labor during those days. Practically every open shop association journal joined in the chorus of vituperation. *The Employer*, organ of the Oklahoma Employers' Association, carried on its front cover, December, 1919, an attack as provocative as it was alliterative. One year after the Armistice it shouted: "The country has passed from Victory to Violence, from Conquest to Chaos; Sacrifice to Strike; and the Rule of Reason is Supplanted by Riot and Revolution . . ." and then, with a snarl, the following query, which sounds strange enough in the present-day Right-Left struggles in the unions: "Would Hindenburg and Ludendorff do less evil to the country than Lewis and Foster?"

A few more headlines from the same quite typical employers' organ will suggest the temper of the developing drive against the unions: "Coal Strike is Nothing Less than an Open and Defiant Revolution," over an article by the president of the Oklahoma Coal Operators' Association; "Picketing is

<sup>1</sup> S. Perlman: *History of Trade Unionism in the United States*, pp. 226-245.

Un-American"; "Bolshevism Finds Its Way into Muskogee Street Car Strike"; "The Revolutionary Plumb plan for Control of Railroads"; "The Labor Strike is an Enemy to Our Modern Civilization"; "Keep Howatt in Jail" (referring to the leader of the Kansas miners who defied compulsory arbitration under the now defunct Kansas Industrial Court). Such were the slogans of the open shop elements throughout the country, the more substantial and dignified employers' organs being only slightly less blatant in their tone. Assisting in this chorus were the several score "professional patriotic" organizations many of which have since been discredited even in conservative circles.<sup>2</sup>

Although the general anti-union feeling was not confined to any industry, employers in the metal trades were especially aggressive, and perhaps the most complete accounts of the various drives, their scope and effectiveness, appeared in the steel employers' organ, *The Iron Trades Review*. In its issue of November 11, 1920, this journal endorsed the American Plan League which was then in the process of organization under the leadership of the Associated Employers of Indianapolis. The purpose of this proposed league was announced to "unify the efforts of the existing open shop associations."

Although this organization never took permanent shape—others with the same purpose were organized later and are still in existence—it did serve as the channel through which the open shop advocates announced their strength and purpose to the world. It was stated by the secretary of the Associated Employers of Indianapolis, after a thorough survey, that the "open shop had been established or extended in past years in about 240 industrial cities," and that some 540 organizations, devoted in some way to promoting the open shop, were in existence in 247 cities of 44 states. Of these some 470 were called "purely open shop associations." None of the associations included in the 540 were chambers of com-

<sup>2</sup> Norman Hapgood: *Professional Patriots*, 1927.

merce, boards of trade, merchants' associations, and other open shop bodies of long standing. In fact this same authority announced that 1665 local chambers of commerce had voted for the open shop in a ballot taken by the United States Chamber of Commerce.

At the same time it was assumed by the organizers of the drive that every employers' association in the country, national, state-wide, and local, "may be considered in favor of the open shop." Among the leaders were the National Metal Trades Association, the National Industrial Council, the National Founders' Association, the National Association of Manufacturers, the National Erectors' Association, the Employing Painters of America, the Associated General Contractors of America, the United Typothetæ of America, the Employing Photo-Engravers' Association, the National Association of Pattern Manufacturers, the Railroad Executives' Advisory Committee, to mention only a few of the associations of national dimensions. Besides these, many local associations made desperate attempts to smash unions in a particular field. The great lockout against the 60,000 New York members of the Amalgamated Clothing Workers of America was a typical unsuccessful effort undertaken by a local industrial association.

Without describing the attacks made on unionism in any one industry or locality, we may survey the drive as a whole as summarized in the above-mentioned report on the open shop situation made to the *Iron Trades Review* by the secretary of the Associated Employers of Indianapolis. He tells of fifty open shop associations in New York state and mentions particular plants that had taken a "firm stand" against the unions, such as the Pierce Arrow plant in Buffalo and the International Railway Company in the same city which had refused to deal with the union and succeeded in breaking a long strike and introducing a company union. (This company is controlled by Mitten Management, the same organization that has introduced the Men and Management scheme and the



company union on the lines of the Philadelphia Rapid Transit Company.)

After mentioning various open shop associations in Philadelphia, Pittsburgh, and throughout the state of Pennsylvania, the same open shop secretary refers significantly to the Pennsylvania State Constabulary, which the manufacturers of Pennsylvania describe as "the best in the country." Just what the state constabulary has to do with the establishment of the anti-union shop is evident to any one who has read the report of the Commission of Inquiry of the Interchurch World Movement on the Steel Strike. This open reliance on the state police to help them break strikes reflects a frankly militant attitude on the part of the Pennsylvania employers.

In the same report on the open shop situation from state to state, Mr. Allen refers many times to the same matter. He tells of the efforts of the New Jersey manufacturers, including the Passaic mill owners, "to get another constabulary law on the books of the state." In Ohio he reports regretfully that "trade unions have succeeded in preventing the establishment of a state constabulary," while in West Virginia, he reports that "state police . . . have done effective work in preventing a small group of agitators from intimidating the majority of non-union miners." Writing of the situation in Iowa he refers gloomily to the fact that "the state has no constabulary," but in Idaho, "the state constabulary is very active, especially against the Industrial Workers of the World." Running through this whole report is the threat of force implied in the frequent remarks about the presence, absence, or activity of state troops like those used to club workers in such states as Pennsylvania, Colorado, and West Virginia. We shall refer to this matter again in a later section.

In New Jersey, at the time, specially active anti-union employers were to be found in Passaic and Paterson, while the Business Men's Association in Jersey City had voted unanimously in favor of the non-union shop. In the predominantly

textile state of Massachusetts, "the banner open shop state," reports told of the Associated Industries of Massachusetts with 1,550 members going on record for the American Plan, while "the employers' association of Fitchburg recently fought a molders' strike and won the open shop." In Connecticut, some twenty associations were on record for the open shop, with Hartford almost 100 per cent.

The same report lists among important open shop organizations in Ohio, the American Plan Association of Cleveland, which we shall describe later, and the Dayton Employers' Association, one of the oldest and most militant local associations in the country. "No strike against any of its members has ever been successfully settled by compromise." In Akron the open shop policy of the rubber companies is held to account for a 200 per cent increase in the population of the city in a ten-year period, while in Toledo it was reported that "most of the city's employers joined with the Merchants' and Manufacturers' Association in promulgating the Plan (American) during the Willys-Overland strike in 1919." In all, there were some twenty Ohio organizations promoting the open shop drive.

In Illinois several score of industrial associations were listed as lining up behind the Illinois Manufacturers' Association in defense of the non-union shop. Chambers of Commerce throughout the state had gone on record, and one of them in Kewanee had aided the county sheriff in a strike by supplying 400 deputies for two weeks. This is considered practical open shop service. Michigan, also the paradise of non-unionism, where the automobile manufacturers maintain strictly non-union shops, was given honorable mention, some two dozen state and local associations having lined up against the unions. The Grand Rapids furniture dealers and metal trades men also refused to deal with unions, and in Muskegon, the open shop advocates reveal their true feeling toward unionism when they report with satisfaction that "5,000 machinists

are eligible to membership in the union but the membership in good standing numbers just sixteen."

Open shop successes in Indianapolis are attributed in the report to the "Anti-picketing and anti-banner carrying ordinance" which for several years has rendered the state "free of serious industrial strife." In Wisconsin, it is reported as a part of the open shop conquest, that the lumber mills of Oneida County have broken a strike of the timber workers' union. The West Virginia coal operators' battle with the Miners' Union was then succeeding, with the help of armed thugs, deputy sheriffs, and the Baldwin Felts Detective Agency. This report tells how the Elkins Coal and Coke Company, controlled by the Bethlehem Steel Corporation, one of the foremost experimenters with company unions, had announced that it would work hereafter open shop instead of under an agreement with the union. In West Virginia, the American Constitutional Association, subsidized by the mine owners, and flying a flamboyant "Save West Virginia" patriotic pennant from its masthead, was among the general associations fighting to destroy the United Mine Workers. State police, as we have noted above, rendered them valuable assistance.

Other states mentioned in this comprehensive survey of the nationwide open shop drive, were the following:

Louisiana, where in such cities as Shreveport, great advertisements in the papers lauding the American Plan, were signed by thousands of business men. In New Orleans, a coastwise longshoremen's strike had just been defeated and the non-union shop established.

Kentucky, where in Louisville, under the leadership of the local Employers' Association, \$20,000 had been contributed to an "education campaign" to sell the open shop to the public, but where the business men complain "the state has no constabulary."

Georgia, where a great advertising campaign for the non-union shop was in progress, supported by the Southern Metal



Trades Association, the Employers' Association of Atlanta, and the Georgia Manufacturers' Association.

Washington, where Seattle, after its General Strike of 1919, was advertised as an "open shop strikeless city," with the Associated Industries of Seattle in command of the drive. Tacoma, boasting of seventy-five per cent open shop in 1920, as contrasted with 100 per cent union shop in 1919.

Texas, a state whose business interests could boast that they made greater progress in anti-union campaigns than any other in the country. The Southwest Open Shop Association had been organized in Dallas with 2,500 Dallas business men signing the open shop declarations used in newspaper advertising. The anti-unionist strength in the state was reflected in the report that "the effectiveness of organization work in Texas recently was demonstrated when a strike of longshoremen at Galveston was broken by the arrival in that city of 200 open shop workers from other cities."

California, also reported to be one of the strongest open shop states in the West, with six organizations in Los Angeles—"the open shop stronghold of our state"—back of the movement, including the powerful Merchants' and Manufacturers' Association, with the professional patriots included in the Better America Federation lending aid and comfort.

Oklahoma, which was reported to be "freeing itself of radicals," this being apparently one of the first steps taken in all communities wishing to attack trade unionism. It was reported also that the president of the Clearing House Association of Tulsa had issued a statement to the effect that building contractors desiring financial assistance from the local banks, "must hereafter bear the non-union label." This form of pressure, incidentally, has been a very common practice among bankers wishing to do their bit to drive the unions out of any community.

Reports, encouraging to the opponents of labor unions were also made from Arkansas, where 2,200 business firms had

signed the pledge; New Mexico, where in Albuquerque the Business Men's Coöperative Association, "had won several strikes through collective action"; Arizona, where the movement was enlisting the support of Rotary, Kiwanis, realty boards, builders' exchanges, and chambers of commerce; Colorado, where "newspaper advertising has been freely used"; Missouri, where eighty-five per cent of the industrial establishments of St. Louis were reported to be open shop; Utah, where many strikes had been broken through the importation of strike-breakers by the Associated Industries of the state; Nebraska, where the Nebraska Manufacturers' Association "has the labor situation well in hand"; Montana, where Butte was reported to be "rapidly becoming open shop," and where the I.W.W. had been driven out of the mines, leaving them entirely unionless; Minnesota, where the Citizens' Alliance of Minneapolis assisted by the Manufacturers' Club, was promoting a publicity campaign against the unions; Florida, where the Miami building trades remained technically open shop, and where the Tampa manufacturers of cigars had just won a long fight against the Cigar Makers' Union.

Practically every state in the union was mentioned in this comprehensive survey of anti-unionism. A subsequent report from the same source, which appeared in the *Iron Trades Review* of September, 1920, showed that associations, other than chambers of commerce, "devoted to industrial promotion work with the open shop as the principal plank in their platform," numbered 65 in New York, 54 in Illinois, 50 in Ohio, 45 in Pennsylvania, 29 in Michigan, 25 in California, 20 in Texas, and 15 in Iowa. These were the states where the greatest number of associations were counted at the time, though the struggles in states reporting few associations were just as militantly conducted by the manufacturing interests.

It is interesting to note at this point the fondness of the most outright open shop advocates for the company union, which we will discuss more fully in a later chapter. The fol-

lowing extracts from the report of open shop activities in various states touch on the importance of the company union as a substitute for the unions the employers were trying to smash, with such manifest success, in their drive for the American Plan. The Seattle Chamber of Commerce in its anti-union drive reported that something more than a merely negative antagonistic policy was needed to beat the labor unions. What was needed was a "wage technique and a shop committee system of employee representation." In Massachusetts, a long list of firms was mentioned which had refused to deal with trade unions, but only with their workers organized in "shop committees" divorced from the trade union movement. In Colorado, the reports of the open shop campaigns told of the organization of an "American union" composed of so-called "independent workmen" to oppose the impliedly un-American unions affiliated with the American Federation of Labor. From New Jersey it was likewise reported that in the Union County silk mills, employers were applying the "guiding principles governing the selection and functions of employees' representatives." The writer who was in touch with the Amalgamated Textile Workers of America at the time, can add to this report that the purpose of this plan of "employee representation" was to bring about the death of the textile union in that vicinity.

Practically all the organizations to be mentioned later in this volume were drawn into the grand offensive of 1920-21. The National Association of Manufacturers, the various local open shop associations, the United States Chamber of Commerce, the Manufacturers' Association of Illinois, local employers' associations—all contributed to the man hunt against the trade unions. Savel Zimand in his highly entertaining booklet, *The Open Shop Drive, Who Is Behind It and Where Is It Going?* has touched on many of the high-light propaganda efforts of the campaign. One of these was a confidential letter issued to employers by an organization—or at least a letterhead—calling itself the National Open Shop Asso-



ciation, Philadelphia, Indianapolis, and San Antonio. (It is probable that the local elements comprising this mushroom organization are now included in the American Plan-Open Shop Conference.) It read as follows:

"Gentlemen: We have been in correspondence with your Manufacturers' Association relative to us organizing a local Open Shop Association in your city for the purpose of putting into effect there the principles of the Open Shop, a copy of which we are enclosing you.

So as to proceed with this work effectively we desire to secure twenty-five charter members, and we are writing you in strict confidence, hoping that you can see your way clear to signify your willingness to join us in this movement providing we find it advisable to go ahead with our plans.

This work must be clothed with the utmost secrecy, as we have found that publicity usually defeats our purposes. For this reason you can feel assured that we will treat the matter in strict confidence.

Please let us hear from you regarding the matter, and we will gladly furnish any additional information you may desire.

NATIONAL OPEN SHOP ASSOCIATION,  
(signed) James L. Glass, Sec'y."

Many such temporary organizations were thrown together in the excitement of the moment chiefly through the enterprise of some go-getting executive who saw his opportunity to cash in on the anti-union sentiment of the day. The American Employers' Open Shop Association with headquarters in Chicago, was one of these. Its directors offered a bright line of welfare work as well as labor spies to prospective members. One of its appeals reads as follows:

"AMERICAN EMPLOYERS' OPEN SHOP ASSOCIATION  
Suite 356, 29 South La Salle Street  
Chicago, Ill.

November 23, 1920

——— Co., Omaha, Nebraska.  
Attention General Manager.

Dear Sir: We are writing you at this time to attempt to get you or your company into the Open Shop Association.

As the time is ripe for all manufacturing concerns to run their shop as they see fit, and not be dictated to by some unscrupulous delegate of some union.

You may see the point that we are driving at very clearly. The Open Shop Association will do a great deal for its members.

(1) Should you be threatened with a labor controversy or strike, you can immediately get in touch with us and we will handle that situation for you.

(2) Should you want *an under-cover man on the inside* among your employees, we will also furnish you such a man, and you will receive a daily report on what is going on.

(3) In the event of trouble, we will replace any men that may strike against you.

(4) We establish welfare clubs in your plant from which you derive a lot of benefit; and all manufacturers are alive to this issue.

Our membership is growing larger every day and we would be glad to have you also fill out the accompanying application for membership in this institution.

The Initiation fee is fifty dollars and the yearly dues twenty-five dollars.

Trusting that you will acknowledge receipt of this letter, we remain,

Yours truly,

AMERICAN EMPLOYERS' OPEN SHOP ASSN." <sup>3</sup>

Among other such associations some of which apparently, have since gone out of business, or merged with the American Plan-Open Shop Conference, were the Southwestern Open Shop Association covering the states of New Mexico, Arkansas, Texas, Oklahoma, and Louisiana, and including some fifteen local open shop associations. Other enterprising southern associations flourishing during the drive were the Open Shop Association of San Antonio, said to be the first organization of its kind using the name "open shop" in its title, the Open Shop Association of Dallas, Texas, and the Open Shop (Square Deal) Association of Tulsa, Oklahoma, in addition to innumer-

<sup>3</sup> Zimand: *op. cit.*, pp. 37-38.



able open shop sections or committees of local chambers of commerce.

The drive of 1920 and 1921 was on a more comprehensive scale than any since. It consisted chiefly of a movement to liquidate the gains made by labor unions during the war and a desire on the part of most of the participants to wipe trade unions completely off the face of the map.

The first purpose was pretty nearly accomplished. Labor's war gains, particularly the gains of the machinists, the maintenance of way men, and the shopmen on the railroads, were seriously reduced. After this was accomplished, the more grandiose organization schemes of the employers, prepared in the heat and hysteria of that year, were scrapped, leaving many local open shop associations on the field and many national organizations devoted to more special purposes and not exclusively to union smashing.

### *Later Drives*

Although the employers' offensive of 1920-21 was by far the most concerted and inclusive, all the economic and psychological conditions having favored it, there have been important drives since, of a more scattered and sporadic character. These drives have been more local, less spectacular, and more subtly sustained. Some of them will be referred to in our survey of employers' associations in the next chapter. But we may mention here the fact that in 1927 we are witnessing not only the gradual wearing away in the bituminous fields of the formerly powerful United Mine Workers of America through a coldly calculated open shop drive of the organized mine operators; we are witnessing also, new attacks on the building trades unions as evidenced by the plumbers' lockout in New York City in the spring of 1927. In the textile industry, always open shop and nearly 100 per cent non-union, the employers are taking advantage of the situation to weaken such protective legisla-

tion as has been passed in former years through the influence of the labor movement. And all this is happening in a period of marked prosperity when the unions should be gaining morally and numerically, instead of losing ground and finding themselves continually on the defensive.

The employers in trades where there are any unions to defeat, are preparing to weaken or destroy them. As American production is put on the lower price level, and the capitalists need to compete with the recovering and increasingly "ration-alized" European industries, new drives are bound to be made to reduce wages, lengthen hours, and to speed up work. Where unions stand in their way, as in 1921-22, they will be forced to fight or accept a sentence of death.

Before closing this section on anti-union drives, it may be well to note certain differences between the post-war drives described at length in this chapter, and the more isolated anti-union campaigns that have since been waged. In the former we saw mighty figures in the industrial world, such as Elbert H. Gary of the United States Steel Corporation, and Eugene C. Grace of the Bethlehem Steel Corporation, take the witness stand—there was a considerable amount of investigating in progress then, both of a public and an unofficial character—and announce openly their bold ambitions to crush organized labor, root and branch. The widespread and desperate struggles of the workers forced the issues to the foreground, and gave them "big publicity." To-day the issues are still real, but the power of the Garys and Graces has been so well consolidated and the workers' movement correspondingly so weakened and deflated, that public attention is not drawn to the still stubborn refusal of the industrial lords to deal with organized labor. Without powerful unions, the issues cannot be vitalized and advertised. There are no such unions in electrical manufacturing, in steel, in meat packing, in oil, in textiles, and in other great industries where the American Plan is still completely triumphant.

It may also be noted that the growth in the "public relations" departments of the corporations and the rise of the high-priced corporation publicity expert has saved the employers from many embarrassing situations, and has clothed their essentially autocratic powers with the cloak of propriety, goodwill, and a superficial altruism. The Ivy Lees and other journalistic soothsayers have done wonders to soften the sting of the corporations. The public has been "educated" to see them in a better light. No matter how ruthless the anti-union stand taken by some baked bean tsar, or tooth paste prince, his press agent—now using the title "public relations counsel"—will be found handing out prepared statements assuring the public that Mr. Goldbond, President of the Board of Directors of the Goldbond Corporation, means to do everything through fair dealing for the well-being of his employees. They are "happy and well cared for," they are all members of the Big Goldbond Family, and most of them—with the exception of some "agitators in the pay of Moscow"—are thoroughly "loyal" to the firm. The Goldbond Corporation, it is stated repeatedly for public consumption, rules its "Family" with a kindly—but iron—hand.

Such publicity services were not so well installed in 1920-21. Each year since then has seen improvement and polish in the profession of glorifying the good intentions of the corporations. Open shop driving, in its crudest form, such as we have been discussing, is not considered the best way to convert the public to "right views" concerning the employer-employee relationship. It still continues, but is greatly modified by the application of the higher publicity counseling.

The employers were certainly more openly and generally militant in 1920-21 than they are to-day. A stronger labor movement forced them at that time to show their teeth. Many of them were then frankly of the opinion that Bolshevism was just around the corner and that trade unionism was merely its forerunner. One had to take a "firm stand" in dealing with the



"growing menace." There was a great deal of talk among the industrialists about nipping this and that bit of incipient communism in the bud. To be sure, much of the hysteria of the day was fostered by ex-Intelligence Division sleuths and Department of Justice operatives, as well as by enterprising dealers in industrial espionage. Their search for clients and their consequent provocative acts naturally added to the current alarm concerning the approach of revolution. Their indefatigability inspired such outbreaks as the following, a sample of the insanity then in vogue. It appeared in the *Minnesota Banker* (December 16, 1920). "Where the radical element is too strongly entrenched, there is, of course, but one final thing to do, and that is, to beat them by force. They must be locked up and licked until the conservatives (in the unions) see the light and realize that the rights of capital must be considered." By "radical" was meant any progressive who wanted to carry on the struggle for better conditions.

Undoubtedly, the most strident open shop voices are raised at present by the associations comprising the American Plan-Open Shop Conference and its western and southern affiliations. The American Plan Ass'n. at Cleveland is prosperous and aggressive in its leadership of local movements, particularly against the building trades unions. The Open Shop Department of the National Association of Manufacturers retains the leadership among the firms and associations making up its membership. Such open shop leadership as is to be found today is inspired by one or the other of these various associations to be examined in the next chapter.

## CHAPTER III

### EMPLOYERS' ORGANIZATIONS

"The opponents of unionism cannot stop it unless they themselves combine more effectively than organized labor (which would not be difficult) and then use this joint power not only to stem the power of union expansion but to break up the existing unions and to discredit the theory and practice of unionism. This is what the fighting advocates of autocratic capitalism are now trying to do."<sup>1</sup>

THE employing class believes in organization. The employers not only believe in it. They practice it. To advance the American Plan of employment, and to frustrate the efforts of unions to attain collective bargaining, the employers must themselves be thoroughly organized. While the great corporations such as the United States Steel Corporation, the Pennsylvania Railroad, or the International Harvester Company, may, upon occasion, put up a single-handed battle against the workers, it is necessary for most employers and employing corporations, to join some sort of "bosses' union" in order to combat the organizing efforts of the workers.

Students of the labor problem have made various classifications of the many employers' associations in America. Some have divided them into "bargaining associations" which make collective agreements with organized workers on a wide scale; "fellowship associations," which bind them together for purposes having nothing to do with labor relations; and finally, "militant associations" or those which, to use the words of one

<sup>1</sup> *New Republic*, December 29, 1920, p. 124.



writer, "are created to oppose collective bargaining and to discredit and defeat unionism."<sup>2</sup>

Most of the active employers' associations seem to be of the third type. Indeed, many of those that were organized originally to act as negotiatory and bargaining associations have, with the years, developed into the most bitter combative anti-union associations. Others, which might be classified as bargaining associations, may engage in periodical struggles with unions upon the termination of agreements. The most commonly cited examples of the belligerent and non-bargaining type of national association are the National Metal Trades' Association, the National Founders Association, and the National Association of Manufacturers. The great majority of the associations discussed in the following pages are of the militant, anti-union type. This type may often be heard to announce that it has no objections to labor organizations as such, or to individual employee membership in unions. But it always attacks unions when they show any signs of life.

This stressing of the belligerent aspects of employers' associations will be condemned in certain quarters. Even the carefully detailed and objective study of *Employers' Associations in the United States* by Clarence E. Bonnett, has been attacked on this ground by sensitive employers' journals. The employers attempt to profess in public that the primary purpose of their associations is anything but to wage war on unions. However, the more carefully one surveys their deeds, the more one sees that the common denominator of most of them is a hatred and fear of organized labor and a desire to discredit and destroy it. Bonnett puts it more mildly when he writes, "The promotion of the employers' interests in labor matters is the function that characterizes every employers' association." In any case, the present discussion will deal almost exclusively with those organizations which have participated in the open shop cam-

<sup>2</sup> Gordon Watkins: *An Introduction to the Study of Labor Problems*, p. 394.

paigns and anti-labor crusades of recent years. John R. Commons and Helen Sumner in their book on *Labor Problems* describe these militant associations as follows: "In soberer moments they disavow any intention of destroying trade unionism, although it is certainly fair to say that with them industrial peace is a secondary consideration" (p. 281).

There are a great many varieties of such associations. Some are of long standing and have become a permanent part of the American scene. Some are local bodies, and some cover only the employers in one trade or industry. Some are national trade associations, and some general employers' associations covering the whole country. Some use outspoken titles to express their object and purpose. Others adopt such protective coloration as "Citizens' Committee" or "Citizens' Alliance."

There is nothing particularly new about these employers' associations. They have enjoyed a rapid growth in this country during the last forty years and their strength and financial power have developed with the rise of industrial America. To-day, they together comprise the most formidable obstacle to labor unionism in the world. For back of them stands the power of the American bankers and bankers' associations, as well as the great corporations, which are the undisputed rulers of present-day American society.

How many employers' associations are there in this country? The United States Department of Commerce, in a compilation called *Commercial and Industrial Organizations in the United States* (1926), lists more than 9,000 organizations of all kinds, approximately 1,200 interstate, national and international, 1,130 state and 6,450 local organizations, and these are "only those organizations which replied to the Department's request for information." However, this broad category of commercial and industrial organizations includes many which are not strictly employers' associations, many, such as trade associations, which have scarcely any relation to labor, and many

which might be classed as negotiatory rather than as belligerent associations.<sup>3</sup>

Professor Bonnett makes a more conservative estimate. He says, "in number, the associations now in existence, or which have been organized, in the United States, total over 2,000, all of which have dealt with the labor problem in some phase or form." This number includes both the negotiatory associations and the belligerent types, the latter undoubtedly being in the great majority. Some 300 associations of every description are included in the Index to Associations and Fostered Corporations on pages 561-67 of Bonnett's book. These are simply the few to which he refers in his exhaustive discussion of thirteen representative associations.

### *Types and Names of Employers' Associations*

#### LOCAL ASSOCIATIONS

Local employers' associations use a confusing variety of names to describe themselves. Some are known simply as Employers' Association. Others use the title Employers' Council, Manufacturers' and Employers' Association, Merchants' and Manufacturers' Association, Merchants', Manufacturers' and Employers' Association, or Manufacturers' Associations.

Other general associations of employers covering one city are called Industrial Associations. Various uses of the terms "open shop" and "American Plan" appear in the names of still other local associations, such as Open Shop Association. There are also the open shop divisions of local Chambers of Commerce, American Plan Associations and American Plan-Open Shop Associations. The local business bodies of certain cities go under the name of Associated Industries. The names vary from city to city. Some cities have organizations bearing two

<sup>3</sup> U. S. Dept. of Commerce: *Domestic Commerce Series*, No. 5, June, 1926.

or more of these names; for example, Utica, N. Y., boasts of both an Industrial Association and an Employers' Association.

All local Chambers of Commerce and Business Men's Associations may be included in a somewhat broader category of employers' associations. The Rotary Club, the Kiwanis Club and similar organizations represent the "fellowship" of "big butter and egg men" and "Babbitts"—business men who can always be counted on to participate in an anti-red, anti-liberal, or anti-union campaign. The Rotary Club branches have sometimes played an important rôle in local "union-busting" drives, as have the local Bankers' Associations and other local business men's associations.

Chambers of Commerce have figured quite prominently in anti-labor drives, but in some places, they have been more conciliatory in their relations with labor. This is probably due to the admixture of small merchants and minor business men in the local Chambers. The local Chambers of Commerce, with but few exceptions, are thoroughly open shop in their attitude, even though in some cities they have persuaded certain social-climbing leaders of central labor bodies to join them and participate in their "good fellowship" even after they have entered upon an anti-union crusade. When a Chamber of Commerce creates a special open shop division or an industrial relations committee it is usually on the way to becoming more belligerent in its dealings with unions. It is then usually impossible to distinguish between it and the more militant general local associations of employers above mentioned. Says the National Catholic Welfare Conference in one of the news releases issued by its Social Action Department:

"Notwithstanding its sprinkling of professional men, the average local Chamber of Commerce represents the viewpoint of the employing class exclusively whenever it makes a pronouncement concerning the relations between capital and labor. The same is true of the American Bankers' Association, and to a lesser degree of that small body of rural aristocrats known as the National Grange.



Such bodies reflect only the viewpoint of the employing class and those small groups who have social and business affiliations with that class."

There remains another type of local general employers' association which takes in professional elements as well, in fact, any person sufficiently saturated with animus toward trade unions. This is the Citizens' Committee. We shall note later the special function of these committees. They have been formed in recent days in Chicago, Cleveland, San Francisco, Detroit, and Passaic. They usually develop out of the anti-labor drives of some belligerent employers' association, and are created to draw a wider element of the business classes into the war on trade unions. They should not be confused with the Citizens' Alliance, which is the name used by three permanent open shop employers' associations in Minneapolis, St. Paul, and Duluth. The local Citizens' Committees are generally picked for special emergencies such as strikes, when the open shop employers' association needs the help of a "broader public" to carry out its program against labor. They are usually permitted to expire once they have performed the function for which the employers created them. There have also been, in a few places such as Sherman, Texas, special open shop enforcement bodies using the name Citizens' Welfare Associations.

So much for general local associations of employers, taking in employers from every industry. These naturally overlap with the local trade or industrial associations which include only employers engaged in one occupation or line of business. The latter may be formed to negotiate with unions or they may be belligerent associations which have broken with the unions and are simply united, partly for trade purposes, and partly to defend themselves against possible union encroachments. Under this head come, of course, the Builders' Exchanges, the Associated Building Employers, the Associated Builders, and similarly named building employers' groups, in practically



every American city. All have strong building trades unions to deal with at one stage or another. Some have beaten the unions, and now control the labor situation in their communities. Others coöperate with the unions and make agreements with them with occasional belligerent periods when the agreements expire.

In other trades similar industrial associations wage the fight on unionism. It is unnecessary to name all the trades and industries represented. Every important industrial city has one or more such associations for each industry. There are thousands of them. The trade directories contain their names. And many of them are represented at the semi-annual gatherings of the American Plan-Open Shop Conference, where they discuss better and shrewder methods of establishing and maintaining the open shop.

One of the outstanding examples of the local militant manufacturers' body confined to one industry, was the Industrial Council of Passaic Wool Manufacturers. Prior to the Passaic strike of 1926, its tyrannical power over the mill workers was undisputed. It operated a spy system and a blacklist and a central employment office which employed every worker permitted to toil in the mills. This Council went out of business in March, 1927. It had received such a black eye during the strike that it lost much of its usefulness for the mill owners. Somewhat similar local industrial bodies exist in hundreds of American industrial communities. Sometimes they are independent and unaffiliated. In the metal industry they may be affiliated with the National Metal Trades' Association. In other industries they may have only a very loose affiliation with the National Association of Manufacturers or the American Plan-Open Shop Conference. They are usually dominated by powerful local corporations.

It is common practice for local associations in the same industry to unite in the face of the enemy. There may have developed in one local industry a number of associations, de-

pending upon the character of the product made, the size of the shops or mills, geographical location, nationality of employers, and a number of other factors. When a strike threatens, however, they are likely to merge or at least create a strategy board for the purpose of presenting a united front to the workers. For example, in the New York paper box makers' strike of 1926-27, the United Paper Box Manufacturers' Association, the Independent Paper Box Manufacturers' Association, and the Greater New York Paper Box Manufacturers' Association consolidated for the fight under the leadership of the National Association of Paper Box Manufacturers, a national industrial association.

#### STATE ASSOCIATIONS

The same rough division of employers' associations of a state-wide and national character, may be made. The general employers' association, and the special trade or industrial association have been developed both as state and national bodies. Many of the local associations above mentioned are simply the local affiliates of some large associations like the National Metal Trades' Association.

Taking first the associations with what might be termed state jurisdiction, we find in many states the general more class-conscious groups called Associated Industries. New York has a particularly powerful and militant one, and there are good examples of this type in a dozen other states. In Indiana, the same crowd is known as the Associated Employers, while in several other states it is the Employers' Association. Another very common name is Manufacturers' Association. In Washington State a similar group uses the name Federated Industries, while in Oregon it is an Industrial Association, and in North Dakota, the Manufacturers' and Employers' Association. There are also the state Chambers of Commerce which, like

other state associations, devote much of their attention to legislative activities, which really means opposition to all social and progressive bills introduced by labor. Sometimes these state Chambers of Commerce use special lobbying organizations like the Ohio Industrial Council or the Oklahoma Industrial Council to serve their purposes in the legislative field. These are usually "united front" organizations of all the state and local employers' associations to represent the business interests during the sessions of the state legislature.

Many of the state manufacturers' associations have county or city branches or divisions using the same names. These local groups are usually under the direction and discipline of the state organization.

The trade and industrial associations likewise have their statewide and regional federations, such as the State Foundrymen's Association of Ohio, the Illinois Coal Operators' Association, and the Builders' Exchange of California. A midway type, covering more than a city and less than a state, is such an organization as the Operators' Association of the Williamson Field, West Virginia, one of the many coal employers' associations in the country. Others that may be called interstate—covering more than a state and less than the nation—are such bodies as the Southeastern Master Printers Federation.

#### NATIONAL ASSOCIATIONS

On a national scale the employers' associations naturally are fewer in number, but powerful, larger, and no less militant. The outstanding general associations of the class-conscious sort are the National Association of Manufacturers, the United States Chamber of Commerce, and the American Plan-Open Shop Conference. Organizations covering one trade or industry are also large and important. Examples are the National Metal Trades' Association, the National Founders' Association,

the Employing Printers of America, the National Erectors' Association, the Employing Photo-Engravers of America, the American Newspaper Publishers Association, and the United Typothetæ of America. Most of these national associations have open shop departments or open shop divisions specializing in the distribution of publications expounding the virtues of the non-union shop.

Nationwide associations which fall without the above classifications are the League for Industrial Rights, the National Industrial Conference Board, and the National Civic Federation. Each has an unique function in the employers' offensive against labor unions.

#### TRADE AND INDUSTRIAL ASSOCIATIONS

It would require a separate volume to describe fully the trade and industrial associations in any one American industry. Take, for example, the textile industries. Here are just a few of the employers' associations in this field: American Cotton Manufacturers' Association, National Association of Woolen and Worsted Spinners, National Association of Finishers of Cotton Fabrics, National Association of Cotton Manufacturers, Association of Knit Goods Manufacturers of America, National Association of Wool Manufacturers, National Association of Manufacturers of Wilton and Brussels Carpets, Southern Textile Association, National Association of Hosiery and Underwear Manufacturers, Southern Hard Yarn Spinners' Association, Southern Soft Yarn Spinners' Association, North Carolina Cotton Manufacturers' Association (similar associations in South Carolina and other states), Georgia Industrial Association.

Each of these statewide, nationwide, or interstate textile associations may have more or less to do with labor relations in the mills of its members. Certainly, almost all of them give



advice or render assistance to members in matters relating to labor legislation.

The more local industrial associations of textile manufacturers, such as those in Philadelphia, New Bedford, and Fall River devote themselves almost solely to labor questions. "They deal with other matters besides labor disputes but the ability to present a solid front to the laborers is their primary purpose."<sup>4</sup> Others not listed above, such as the Arkwright Club of Boston, a group of influential New England mill men, are interested particularly in the fight against legislation which labor unions support. The power behind the agitation early in 1927 for the return of the fifty-four hour week and ten-hour day in Massachusetts was this distinguished textile club made up chiefly of mill agents and treasurers. The purpose of the club, according to its constitution, is: "to cultivate social intercourse among managers of corporations or private establishments manufacturing textile fabrics . . . and to promote good understanding and united action upon affairs of general interest to these industries."

Such clauses—and still more innocently worded ones—are typical of most manufacturers' clubs and associations. But what they do in the field of labor relationships is what interests us here, and what we shall deal with in the following pages.

### *Some Special Local Associations*

We have noted that local associations carry on under various banners. American Plan Association, Employers' Association, Industrial Association are some of the common titles. It may be useful to examine in some detail a few of the typical ones. It will help us to understand the forces behind the associations, the methods commonly used, the pretensions made, and the

<sup>4</sup> *The Cotton Manufacturing Industry in the United States*, Melvin T. Copeland, p. 157.



general character of these bodies. Take first one that calls itself an industrial association.

#### INDUSTRIAL ASSOCIATION OF SAN FRANCISCO

Perhaps the most important local association on the Pacific coast is the Industrial Association of San Francisco with about 14,000 members. It was organized in the fall of 1921 out of a broken strike of the building trades unions of that city. The industrial relations committee of the local Chamber of Commerce which had borne the brunt of the strike-breaking work during the conflict, issued a general "call to arms" echoed by the powerful business interests of the city. The Industrial Association was the result of this call. Its purpose was to enforce the non-union shop chiefly in the building trades.

The managing director of the association has declared repeatedly that the organization is "not an employers' organization," and that "it is not in the union busting business . . . it represents the public and the public only and stands for fair play and sound industrial relations." As we examine the work of this and similar employers' associations, we shall discover what is meant by "sound industrial relations." We shall also see who supports this association—the "general public" or the class-conscious employers.

The association works in close coöperation with the Builders' Exchange, the building employers' council of the city. As a result, serious inroads have been made on union strength in the building industry of San Francisco, which is to-day, according to the *Wall Street Journal*, one of the leading "open shop cities" having secured what is called "complete emancipation from the trade unions."

There can be no mistaking the effect this association has had upon trade union strength in San Francisco. As early as the fall of 1923 the association boasted in *The American Plan*, its monthly organ, that

"to-day 85 per cent of all men who earn their bread by manual toil work under open shop conditions. What more complete transformation! Three years ago over 90 per cent worked under absolutely closed shop union conditions. To-day over 85 per cent work under open shop conditions."

So far as we know the percentage has not decreased since that date.

It is interesting to observe that the business men who instituted this non-union régime in San Francisco look upon themselves as heroic pioneers and "dreamers"—"men of vision," to use their own characterization. Says *The American Plan*:

"The men who gathered for the struggle to strike the shackles from this community were dreamers. But their dreams have come true. The men who made the fight had visions, and their hopes have been realized. It is an old saying that the worthwhile men of the world are the men with dreams and visions—the men whose eyes are turned toward the East; the men whose mental horizons are limitless; the men whose heads are with the stars while their feet remain on solid ground."

There can be no doubt that these men kept their feet firmly on the ground. The Industrial Association conducted several campaigns for a fund to carry on its anti-union work. Twice within five years it raised a million dollars and in 1926 it levied assessments on the merchants and manufacturers of San Francisco to pay for its bitter fights against the carpenters, molders, and other unions. According to the secretary-treasurer of the California State Federation of Labor, certain well-known corporations each subscribed \$10,000 or more during the first "slush fund assessment" as he calls it. In view of the industrial professions of some of these corporations, and their devotion to the company union and various welfare devices which they have installed to pacify their workers, it is of interest to give the list in part: <sup>5</sup>

<sup>5</sup> California State Federation of Labor, *Reports of Officers*, 26th Annual Convention, 1925, pp. 17-18.

Alexander & Baldwin, Ltd.....	\$10,000
American Factors Co.....	10,000
Anglo-London and Paris National Bank.....	15,000
Bank of California.....	15,000
Bethlehem Ship Building Corporation.....	20,000
California and Hawaiian Sugar Co.....	25,000
California Packing Co.....	10,000
Crocker National Bank.....	15,000
The Emporium.....	10,500
Firemen's Fund Insurance Co.....	10,000
Hawaiian Commercial & Sugar Co.....	10,000
Matson Navigation Co.....	10,000
Market Street Railroad Co.....	10,000
Mercantile Trust Co.....	10,000
Pacific Gas & Electric Co.....	15,000
Sante Fe Railroad Co.....	15,000
Southern Pacific Railroad Co.....	30,000
Pacific Oil Co.....	10,000
J. D. and A. B. Spreckels Co.....	25,000
Standard Oil Co.....	30,000
Union Oil Co.....	15,000
Welch & Co.....	10,000
Wells Fargo National Bank.....	15,000
Associated Oil Co.....	15,000

Most of these funds were raised by promises to the employers to "insure them against industrial controversy" and to make San Francisco "the freest city in the Anglo-Saxon world," which to them means a city as nearly non-union as possible.

The various methods used to bring about this open shop condition out of a San Francisco which up to 1920 had been very effectively organized have been severely criticized by the representatives of the trade unions. *Organized Labor*, official journal of the local building trades council, charged the Industrial Association with using brutal and illegal methods to crush labor in the city, particularly in the course of its open shop drive against the carpenters' union in 1926. During a strike for collective bargaining the association employed the notorious detective and strike-breaker, "Black Jack" Jerome, to

direct the war against union carpenters. Jerome mobilized a small army of thugs, gunmen, and ex-convicts, just as he had in the Denver tramway strike in 1920, where an investigation commission from the National Catholic Welfare Conference and local religious bodies had found him commanding his thugs: "When you shoot, be sure and shoot straight."<sup>6</sup> It was Jerome who committed the first violence in the San Francisco strike, just as in the Denver strike. His first victim was a disabled war veteran. Jerome assaulted him and was arrested. He pleaded guilty and was fined. He confessed that he was in the employ of the Industrial Association. This was also admitted by the managing director of the association.

One of Jerome's men, Harry Smith, testifying in an injunction trial at the time, said that a daily list to be "beaten up" was furnished to Jerome. He told how he and another guard named Dooley had blackjacked one Daniels, a union man, in his home. When arrested, they had the cards of the attorney for the Industrial Association in their pockets. They told the police he was their attorney. Smith also testified that the Industrial Association had a regular scale of prices for sluggings, ranging from \$10 to \$50, depending on the extent of the "massage" accomplished on the victim. For a full "polish," or killing, anywhere from \$250 to \$1,000 was demanded by the Jerome agency.

Another guard, on the stand, told of his participation as one of Jerome's "flying squadron" which specialized in attacks on union men. He submitted to the court the names of various union members and union business agents he had been engaged to assault. Other guards gave similar testimony. One of them, named Redstrom, confessed that he had received his firearms from an employee of the Industrial Association. The latter admitted in court that he had furnished the weapons.

Although its chief work has been carried on in the building industry because of the strength of unionism there, the Indus-

<sup>6</sup> Sidney Howard: *The Labor Spy*, p. 195.



trial Association does not forget its duties in minor fields. It boasts that "by money, employment of men, and other incidents to labor controversies," it succeeded in putting the cigar, tailoring, garment working, warehousing, and taxi industries in San Francisco on the American Plan. It also aided in breaking a strike of oil workers in 1922, and "participated actively in the great metal and shipping industries of this port."

The association has also functioned as a strike-breaking agency in the foundry industry. The International Molders' Union of North America has accused the Industrial Association of using hold-up methods to break its San Francisco Local Union No. 164. According to John P. Frey, editor of the *International Molders' Journal* (October, 1926, p. 606), the Industrial Association "publicly declared its determination to make every foundry in San Francisco and vicinity a non-union shop." Frey continues:

"Foundrymen operating under friendly agreements with Local No. 164 were told that unless they established non-union shops it would be impossible for them to retain their customers. The Industrial Association established a boycott against union shops. Its hired representatives visited buyers of castings and endeavored to have them place their patterns in the non-union association shops. Bankers refused loans to foundrymen employing our members."

The local molders' union, according to Frey, was also harassed by spies placed in its ranks to make reports, talk violence and "incite members to commit some lawless act." Several of these Industrial Association provocateurs were expelled from the union in the course of the struggle to substitute "American Plan molders" for union molders.

Such were the methods used by the high-minded American Plan advocates in their campaign to destroy the foundations of labor unionism in San Francisco. But there were still other forms of pressure employed, other weapons seized upon, in this battle to "free" the city. One was the "Citizens' Committee of One Hundred," which the Industrial Association organized



to maintain "law and order" and to stir up public sentiment against the unions. "The real object of this committee," spokesmen of labor contended, "is to discredit union labor, to intimidate public officials, to replenish the treasury of the Industrial Association and to bolster up the so-called 'American Plan' which is only another name for the non-union shop."

The "permit system," instituted by the Industrial Association, was an effort to make it impossible for any contractor or employer hiring union men or dealing with the union through collective bargaining, to purchase materials and supplies. The association continued to use the system even after the Federal District Courts had found it guilty of conspiracy, coercion, profiteering, collusion, blacklisting, threats, intimidation, and boycotting. The Supreme Court, to which the case was carried by the Industrial Association, reversed the injunction against the permit system on the technical ground that the materials used were not involved in interstate commerce. A *Wall Street Journal* account of the workings of the permit system tells us that "contractors operating on the closed shop basis could obtain neither credit nor materials." As a result of the carpenters' strike the association agreed to abandon, at least temporarily, the whole permit system.

The fulsome admirers of the Industrial Association, such as Warren Ryder<sup>7</sup> admit that the American Plan means "that on every job at least some of the workers should be non-union," even though they may all want to belong to the union. They contend that "the American Plan is so strongly entrenched in San Francisco that no sane person can predict that it will be overthrown in the next twenty-five years."

#### AMERICAN PLAN ASSOCIATION OF CLEVELAND

Outside of San Francisco the most flourishing, militant, and articulate local employers' organization for the advancement

<sup>7</sup> *Current History*, January, 1927, p. 539.

of the non-union shop is the American Plan Association of Cleveland. Its general manager is William Frew Long. Its offices are palatial, its funds apparently quite adequate, and its social and corporate connections extensive and influential.

Organized in 1920 during the days of the intensive open shop drive, the A. P. A. of Cleveland is a sort of merger of local federations of employers and trade associations for the purpose of fighting the local unions in every industry where they happen to appear threatening. The association looks upon the unionized shop as "subversive of every human right" and upon the non-union shop as "the only just and righteous employment condition." The "industrial liberties" of employers must be defended. The A. P. A. is both a defensive and an offensive organization. But up to date it has not been as successful as its prototype in San Francisco. For in Cleveland the building industry is still (1927) quite thoroughly union shop in spite of the campaigns conducted against the unions during the last six years by Long, his backers in the big metal plants, and the recently organized Cleveland Citizens' Committee. Long looks upon the unionized Cleveland building trades as extremely baneful to the city's growth. When on top of this the city voted for the "radical" La Follette in the 1924 presidential election, he and his association cried out that other communities would look upon Cleveland as "the industrial Sodom and Gomorrah of American cities."

Although up to date unable to make more than a dent in the solidarity of the building trades unions, the A. P. A. has been successful in other industries. Long, writing on his achievements, in the *New York Commercial*, in 1925 observed: "The five years that have passed have been years of strenuous activity resulting in the complete destruction of closed shop conditions in all of the industries of the city outside of the building industry."

A picture of the diversity of non-union industry covered by the association may be gained from its organization chart which

lists some forty-eight membership groups including manufacturers of all the important Cleveland products such as auto bodies, motor cars, bolts and nuts, boilers, brass plumbing supplies, chains, cranes and hoisting machinery, electrical appliances, fiber goods, forging and foundry products, hardware, lumber, machine tools, paints and varnish, paper boxes and bags, rubber goods, store fixtures, stoves, and tools.

The association reports that it is an organization of several hundred employers from all of these industries. The combined payrolls of the affiliated corporations amount to more than \$200,000,000 a year and the investment of these firms in Cleveland industry is claimed to represent more than half a billion dollars. The membership of the association is reported to have increased thirty-two per cent in 1923-1924.

Before taking up the specific activities of the association, let us note the various committees, departments, and groups included in its organization chart. The committees are the following: advisory, public relations, associate membership, publicity, legislative, civic affairs, and building industry (a special committee is needed here to carry on the disproportionate amount of anti-union activity directed at the building trades unions which, as noted above, have not yet been broken in Cleveland). The departments listed are employment, confidential information (we shall see below what this means), employee welfare, legal advice, legislative and political activities, library, miscellaneous advice and information, publications, bulletins and addresses, statistics, and finally, but not least important, strike management. In addition, there are certain executives' groups covering welfare and medical service, employment and factory executives, inspection and time study.

With this elaborate machinery in mind, we may note some of the reported activities and "services" of the association during 1923-1924.

It sought to crystallize public sentiment for the open shop through wide publicity, including full-page advertisements in



the local press, many of which bore appropriate quotations from former Attorney General Harry M. Daugherty. It also received much free space in the news columns of the press, and it issued its own publications, bulletins, and addresses. It helped local preachers prepare sermons expounding the principles of the open shop and deploring the alleged illegal acts of labor union officials.

It spent a good deal of time, as must every organization, whether of capital or labor, drumming up membership. It made special efforts to convince employers that membership in the A. P. A. is "an insurance against labor trouble" and that "all the strikes which this association has handled since its organization have been won by the employer in but a fraction of the time and with but a modicum of the expense which would have been required had no such organization existed." Long frequently refers to the successful record of the association's strike-breaking work. In one place he writes: "We have won many strikes, considering the short time our association has been in existence, and we have prevented many more."

He further states: "Again and again international unions have given local unions a 'strike sanction,' but when it was found that the plant against which the strike sanction was obtained was a member of this Association, the sanction was never used."

So much for strikes prevented. Long does not tell us how many strikes were instigated by the association in connection with its policy of bucking up what it calls lily-livered employers to break off relations with the union.

In connection with strikes in the plants of member corporations the association report deals with a variety of services. It raised money for legal expenses incurred by member firms during strikes. In one case the members of its "Foundry Group" "decided that the Superior Foundry Company should have something more than their 'admiration' and raised a fund

of some \$4,000 to defray the legal expenses incurred by the Superior Company in connection with their strike." Guards and watchmen were provided to firms attempting to crush unions. An employment department was operated to furnish non-union workers. According to Long it provided "a class of labor all the way from steeplejack to sewer builders." In this connection the association organized a Labor Scout Service. Its expressed desire was to become the labor supply center of Cleveland. Automobiles, transportation surveys, publicity, prompt police attention, and other strike services are likewise provided by the association.

Closely related with these services is the espionage department which is devoted chiefly to discovering what plans the unions are making. "Confidential information" is obtained through "under-cover" men placed in unions and in plants for the purpose of reporting on union doings or prospective union moves. "We know from information in our possession" is a common phrase used by the association in its reports. It makes no pretense of securing this information through other than its own operatives. Apparently it hires no outside detective agency but has its own organized spy system, or at least recommends to its members which private spy bureaus are reliable.

So adequate is the "protection" and strike-breaking service that in many instances such commendatory letters as the following have been received from member firms:

"It is with much pleasure that we have the opportunity of thanking you for your efforts in our behalf during the late strike at our plant.

Throughout all our troubles you stood by us with all the tremendous resources of the American Plan Association and we are very pleased to say that we lost very little time or money and have actually increased our production over fifty per cent with the same number of men, through the unsuccessful effort of the union to unionize our shop—thanks to the American Plan Association."



The association has resorted to the usual practice of boycotting union shops and encourages its members and the public to do its buying only from non-union firms.

In addition to counsel and legal advice on the maintenance of the non-union shop, the association staff provides free consultation and information on various employer tactics, such as employee representation (company unions), house organs (employee magazines), profit sharing plans and stock ownership by employees.

A considerable amount of political work was done by the association in the period under review. Opposition to labor-endorsed ordinances and the bringing of pressure to bear on city councilmen and officers were a part of the program. Such a resolution as that introduced in the city council providing that labor in the service of the city should receive the prevailing trade union rate of wages, received the vigorous opposition of the body. All legislation introduced by labor unions was labeled "socialistic." As we have noted, the association was pained at the Cleveland vote for La Follette in 1924, and shortly after this "disaster" reported gloomily, "It is confidently expected that our manufacturers will, as a matter of course, immediately consider the question of moving their plants elsewhere."

Like the National Association of Manufacturers and other employers' associations, the A. P. A. declares it "does not plan to fight labor unions or members of labor unions." Indeed, it goes so far as to claim that the plan it advocates is "labor's best friend," and that the association upholds "the principles of Washington, of Patrick Henry, of Thomas Jefferson."

But under no circumstances would the association countenance entering into any sort of collective bargaining arrangement with a labor union. It would not admit them in any way to the function in industry for which trade unions are organized. The only kind of union it regards with favor is the company union.

## ASSOCIATED EMPLOYERS OF INDIANAPOLIS

This local association has probably produced more printed matter describing its activities than any other employers' body in the country. Its story has been adequately told in Professor Bonnett's book to which the reader is referred for an enlightening picture of a local employers' body at work. Bonnett says that it is perhaps the most active local employers' association in the United States: "Its opposition to the closed union shop in Indianapolis has been so successful that, with the exceptions of certain branches of the building and printing trades, most of the industries of Indianapolis are conducted on the 'American Plan' or open shop basis."

This association is important also because of its attempt to promote a national federation of open shop organizations in 1920. This attempt failed in spite of the thorough survey and intense efforts of the A. E. I. referred to in Chapter II.

In answering a query made by the writer in 1926 as to the strength of unionism in Indianapolis, A. J. Allen, the secretary of the association, says:

"Unionism in Indianapolis is distinguished by its weakness rather than by its strength, because out of a total city population of about 360,000, our information is that only about 6,000 or 7,000 labor unionists are actually represented in the local Central Labor Union, and these are mostly in the building and printing trades."

The A. E. I. had made similar claims before by way of blowing its own horn and claiming credit for extensive union-liquidation activities. In 1923 after some particularly provocative statements under this head, Allen's veracity was questioned by Samuel Gompers in a leading editorial in the *American Federationist* (July, 1923, p. 541). The title of the article was, "If Indianapolis is 'Open Shop' Let Us Have More of It." The A. E. I. had claimed that Indianapolis was the most successful open shop city in the country, and that eight unions with inter-

national headquarters in that city went elsewhere to do their organizing. "Both of these claims," declared the *Federationist*, "are absolutely untrue," after which Mr. Gompers proceeded to back up this assertion with reports from the various unions in that city and state—building trades bodies, miners, machinists, iron workers, barbers, steam and operating engineers, printers, photo-engravers, and typographical workers. "Only one or two international unions report minor setbacks," wrote Mr. Gompers, and "this destructive, reactionary propaganda organization—the A. E. I.—has completely failed in its purpose."

It should be noted that certain unions, such as the teamsters' union, are not referred to in the Gompers retort. This local union had been broken up and forced to disband in 1923, according to Allen. Other unions were undoubtedly wiped out of existence through the union-destroying tactics of the A. E. I. To-day, none of the general manufacturing industries of the city is organized. This, however, is true of every city in the United States. The building and printing trades maintain power long after workers in the manufacturing industry have been defeated in their attempts to unionize.

Methods used by the A. E. I. in its anti-union campaigns are described in a "labor problems" paper prepared by a student of DePauw University and circulated in 1923 by Allen: "Several embryo strikes have been headed off by the prompt and fearless action of the Association. Its *intelligence system* (italics ours) and acquaintance with friendly workmen has enabled it to anticipate strikes and to defeat them early."

The following observation, suggesting Ku Klux Klan inspiration, appears in the same "labor problems" essay, of the young student: "It—the A. E. I.—has helped to make Indianapolis a pleasant city in which to live, one free from strikes, a city of homes free of radicalism, a population very free of alien blood, and a community which is growing rapidly and solidly."

Some experiences of the street car workers in Indianapolis in 1926 illustrate the methods of the association in the field of strike-breaking and union wrecking.

The workers on the lines of the Indianapolis Street Railway Company were receiving wages ranging from thirty-seven to forty-two cents an hour. They decided to organize, even though some of them were already tied to the company by individual or "yellow dog" contracts. The events that followed are described in a letter written to the author by R. L. Reeves, editor of the *Motorman and Conductor*, official organ of the Amalgamated Association of Street & Electric Railway Employees of America:

"Some thirty or forty of them wrote in to our International President, Mr. W. D. Mahon, for the assistance of an organizer. He dispatched Vice-President Robert B. Armstrong of St. Louis and John M. Parker of Niagara Falls, Ont., to Indianapolis to assist them. Immediately upon their presence becoming known, at the instance of the company and *non-union employers' association* (italics ours), the police department began to arrest them for vagrancy. They were arrested fifty-four times before the organization had reached a membership which would warrant the application for an increase in wage, which was done. The company ignored the application and dismissed sixty-four of the employees for joining the union. . . . The men recognized that the company would dismiss them all unless there was something done to establish collective agreement relations, and they suspended work July 5. The company immediately went into the Federal Court and obtained an injunction restraining Armstrong and Parker from in any way interfering with the master and servant agreement or encouraging a strike."

Armstrong and Parker, and local officers of the union, were immediately arrested on contempt charges and spent seven more days in prison before they were released on bail and the case appealed.

It is clear that the A. E. I. was the directing force in the campaign to prevent the organization of the workers into one of the most conservative and law-abiding unions in the A. F. of L.



It also appears that the "intelligence system" of the A. E. I. had been hitting on all cylinders—up to a certain point. Here an "under-cover" operative was brought to light. He testified later in court that, "the company was paying him extra for his services in reporting everything that happened. And that the company had been informed of the entire proceedings so that it could know everything practically before it took place."<sup>8</sup> This spy, it was also discovered, had been so clever he had gotten himself elected president of the street car workers' local No. 976. However, he had sneaked out of town at the time of the contempt proceedings against the union officials.

Reports in the official organ of the A. E. I. recount the routine assistance given by the association to other open shop firms. Under the heading, "Open Shop Activities," we read in the issue of March, 1924:

"Report made by Secretary Allen, concerning the status of the electrotypers' strike against three member founders; approval was given to the steps that had been taken to assist them, including the request made of members that 'by supporting these employers to the extent of being patient where delays occur during the strike, buyers of electrotypes can help reduce the cost and encourage the management of the struck plants in their efforts to run their business free of union domination.' The Skillman Electric Co. (open shop electrical contractors) and the B. C. Torelle Co. (open shop plumbers) were commended for their mail campaigns in behalf of 'reciprocal patronage relations' among open shop employers and the public generally."

Again, in June, 1924, we read: "When placing orders for electrotypes, instruct your printer that you want open shop products." This appears in italics following an editorial which praises the struck employers as well as the efficient way in which the chief of police had taken prompt steps to prevent picketing under an anti-picketing ordinance.

In recent years the association has shown a growing interest

<sup>8</sup> *Motorman and Conductor*, September, 1926, p. 6.

in what might be loosely termed "workers' education." The employers, of course, call it "employee education" in "sound economics." In the address and joint report of the secretary and president of the association in 1924 this matter was earnestly discussed, and it was suggested that every employer and employers' organization "should institute as a permanent business policy, some plan of educational program among employees in the economics of management, business and industrial relations." They stressed the importance of having the foreman impart to the workers under him "the viewpoint of others and the economic facts upon which industry is conducted." The report urges the employers to take this matter seriously and drives home the argument with a quotation from *Law and Labor*, official organ of the League for Industrial Rights: "Our economic system must be justified to the many who have little, and not to the few who have much."

That the present economic order was endeared to the street car workers of Indianapolis through the less "educational" tactics above described appears somewhat doubtful. (Their wages are still thirty-seven to forty-two cents an hour.) But the premiership of Indianapolis as an American Plan City cannot be questioned even by the A. F. of L. officials who still contend that the activities of the A. E. I. have had no appreciable effect upon their union membership.

#### CITIZENS' COMMITTEES

Local employers' associations in thin disguise as we have already noted are frequently known as citizens' committees. They have usually been fostered as auxiliary bodies by other employers' associations and have been specially useful in the raising of funds. They may include all sorts of business and professional people not technically employers. And, as Professor Bonnett has pointed out, "fostered associations . . .

have occasionally proven to be powerful weapons in promoting the employers' interests in the labor field" (*op. cit.* p. 15). We have seen how a citizens' committee was used by the Industrial Association of San Francisco to further its anti-union and anti-collective bargaining projects. Other typical citizens' committees deserve brief descriptions.

The Citizens' Committee of Detroit achieved national prominence in October, 1926, when it assisted the Detroit Board of Commerce in an attempt to interfere with trade union officials who were scheduled to speak in Detroit churches while attending the annual convention of the A. F. of L. in that city. According to the *Industrial Barometer*, official organ of the Employers' Association of Detroit, this committee is an amalgamation of the interests of such organizations as the Employers' Association, the Detroit Board of Commerce, the General Builders' Association of Detroit, and other clubs. The local organizations—forty-five in number—included in this committee appeared as signers of a letter sent to the A. F. of L. convention, October 14, 1926. As they are typical of the make-up of citizens' committees in other cities, they are given in full in order to suggest to the reader the sort of local trade, industrial, and social bodies usually found in local anti-union campaigns:

Associated Building Employers of Detroit	Business Property Owners' Association
Builders' & Traders' Exchange	Central Detroit Commercial Club
Carpenter Contractors' Association	Detroit Automobile Club
The Conopus Club of Detroit	Detroit Automobile Dealers' Association
Detroit Citizens' League	Detroit Association of Sanitary & Heating Contractors
Detroit Board of Commerce	Detroit Coal Exchange
Detroit Cleaners & Dyers	Detroit Hotel Association
Detroit Engineering Society	Detroit Sheet Metal & Roofing Contractors' Association
Detroit Insurance Exchange	General Builders' Association of Detroit
Detroit Real Estate Board	
Detroit Lumber Dealers' Association	

Detroit Iron League	Grand River Redford Federation
Detroit Transportation Association	Employers' Association of Detroit
Exchange Club of Detroit	Jefferson Avenue Improvement Association
Kiwanis Club of Detroit	Laundry Workers' Association
Lions' Club of Detroit	Mason Contractors' Association of Detroit
Mercator Club	Master Painters' & Decorators' Association
Michigan Society of Architects	Motion Picture Theater Owners of Michigan
Milwaukee Junction Manufacturers' Association	Progressive Business Men's Club
Printers' Association	Optimists' Club
Retail Merchants' Association	Rotary Club
Postal Employees	Tailors' Organization
Vortex Club	
Asbestos Employers' Association	
All East Side Association	

This committee devotes its attention chiefly to boasting Detroit's freedom from strikes. Its membership, says the *Industrial Barometer*, is open "to every citizen who opposes the domination of the closed shop." In *The Detroider*, weekly journal of the Detroit Board of Commerce, the Citizens' Committee is described as "organized to maintain Detroit's leadership and freedom from labor troubles." *The Detroider* of August 23, 1926, describes with burning phrases how the unions, if permitted a foothold in the great open-shop automobile metropolis would immediately seek to "close" factories by sabotage and destruction. Only the Citizens' Committee, this journal tells us, can save the city from the hordes of A. F. of L. organizers who on that date were said to be hurrying toward Detroit to begin work. In order to head off the activities of the unions, the Citizens' Committee has placed half-page advertisements in local newspapers calling attention to its patriotism and to the terrible damage that would be done to Detroit business through a strengthening of unionism. The level of intelligence of the committee's executive vice-president, L. J. Flint, may be judged from the last paragraph of his impertinent letter to the "Officers and Directors and Delegates" of the A. F. of L., distributed at the convention hall on October 14, 1926: "You



have adopted a resolution contemplating the organization of Detroit's automotive workmen. Do you propose to organize them for the laborer's sake, or for the sake of your Federation?"

Across the lake from Detroit another Citizens' Committee was getting under way in 1926. In Cleveland, a strike of painters, paperhangers, and glaziers was in progress in July of that year. It was considered a good time to aim a vital blow at the building trades unions. Early in the year a strike of building laborers had been broken through the efforts of a committee of some twenty-five citizens appointed by the American Plan Association. Encouraged by this success, the A. P. A. assembled a larger committee to break the painters' strike and to raise a fund of some five million dollars to overpower all the building trades in the city and abolish what they termed the "labor monopoly." This committee of anti-monopolists, as permanently organized, included over 50 business men and bankers, the list including 11 contractors, 10 manufacturers, 8 bankers, 5 real estate promoters, 4 building supply and lumber magnates, 4 merchants, 3 lawyers, 2 coal officials, and 5 in miscellaneous employing jobs, representing, according to Max Hayes, editor of the *Cleveland Citizen*, about one per cent of the population of the city. Through the building supply houses the committee brought pressure to bear on the independent contractors who desired to settle with the union, and after an intensive campaign, in which nearly a million dollars was expended, the strike was broken. The executive committee of the Cleveland Citizens' Committee in a subsequent report said: "The painters, paperhangers and glaziers returned to work under the same working conditions and wages that existed before the strike and without signing any union agreement."

Like the building laborers they were compelled to return without their demands and without their contracts. This was

the first fruit of the committee's work. It now intends to take the unions one by one and force them on the open shop basis. A split in the building trades unions has greatly assisted them in their job.

Like other such committees it publicly denies all desire to destroy unionism. It declares that it would advocate agreements with unions "which conducted themselves properly." It contends that some unions have been "unreasonable, arrogant, and uneconomic in their demands" and that it is searching for "constructive, honest and able union leaders" to deal with. It may be noted, in passing, that the building trades of Cleveland are politically conservative and are in full accord with the traditional policies and practices of the A. F. of L. Yet this is the union which the Citizens' Committee, as well as the Cleveland American Plan Association, calls destructive and "radical."

The "Citizens Committee to Enforce the Landis Award" in the Building Trades of Chicago is another "impartial" body led by open shop employers and bankers. It was created to compel the building trades of Chicago to accept the decision of Judge Kenesaw Mountain Landis who in 1921 had been forced upon some of the unions as arbiter in a wage dispute. The Judge was selected to arbitrate wages. He proceeded to arbitrate not only wages, but to revise everything else including the fundamental agreements between the unions and the employers. He attempted to make the unions accept almost completely open shop principles in their relations with the employers' associations. The unions naturally balked. Judge Landis also gave them a very unsatisfactory deal in his wage award. Some of the unions refused to accept the reduced wages and restrictive conditions. The Judge was unable to enforce his award. When he found that he was helpless, the Chicago Association of Commerce, the Illinois Manufacturers Association, the two real estate boards of Chicago, and other

employer-controlled bodies appointed a large Citizens' Committee "composed of more than 150 responsible Chicago citizens." This committee appointed an executive committee which included some of the most bitter anti-union employers in the city. They incorporated the committee and demanded that bankers refuse credit to building trades employers erecting buildings except upon contracts stipulating that Landis award conditions prevail. The committee announced a campaign to raise \$3,000,000 to cover its expenses. Its object was to destroy the unions by importing non-union mechanics from other cities to take the place of union men who refused to accept the award. It also imported gunmen to protect non-union mechanics, "Landis mechanics." It opened an employment bureau to sign up workers and to blacklist union men and prevent them from securing jobs. It issued a monthly pamphlet, *The Landis Award Journeymen*, which it sent to all non-union workers to bolster up their morale. It arranged costume dances, stag parties, and other social affairs for the workers, with the same object in view. The carpenters' union and other labor bodies charged that the committee had not only imported thousands of non-union carpenters but that it had "terrorized union contractors and used its influence to keep them from getting credit at the banks."<sup>9</sup>

The Landis Award expired in 1926, and new agreements were signed between the Building Trades' Council of the city, and the Building Construction Employers' Association which removed practically all the objectionable features of the Landis decree. The Citizens' Committee was thus defeated in its efforts to break the power of the unions, thanks partly to the building boom that had existed in Chicago during the entire period. However, the committee, having furnished non-union workers for some of the big building jobs in Chicago, is still

<sup>9</sup> *Federated Press, Chicago Weekly Letter*, Sheet I, February 20, 1926.



confident that it can carry on the Landis principles indefinitely. The Chicago correspondent of the *New York Evening Post*, on September 1, 1926, wrote: "The Citizens' Committee to Enforce the Landis Award will make no surrender. It is very well organized and is likely to consider the time as fortuitous to break the strength of the unions in Chicago."

And in December, 1926, and January, 1927, the committee was advertising widely in Chicago papers inviting prospective builders to employ, "Landis Award architects and Landis Award contractors," as well as Landis Award mechanics and craftsmen. One of the advertisements declares that "Landis Award contractors have the pick of building trades craftsmen to choose from. These workmen flock to our employment bureau. We have placed 130,000 of them during the last five years. . . . They know that should they strike they injure you and eventually themselves." These strike-proof workers were described in another advertisement as men "who have broken away from their former leaders." In spite of organized labor's opposition, the committee has apparently no intention of retiring from the field. It says early in 1927, "the committee is confident that the public would suffer irreparable damage if it disbanded."

In the same category with the local citizens' committees just described, may be placed certain organizations whose names suggest disinterested patriotic motives, but whose actions point in quite the opposite direction. They may be local, state, or national. Examples are the American Constitutional Association of Charleston, West Virginia, which, according to the candid *Iron Trades Review* (November 11, 1920, p. 1345), "has been organized to promote the open shop principle." Although it has been classified as a "professional patriotic" body because of its use of patriotic sentiments and symbolism, the A. C. A. is really an employers' association organized in the interest of non-union coal operators.



The Better America Federation with headquarters in Los Angeles, is another employers' association of this sort, appealing chiefly to business men for support. It was formerly the Commercial Federation of California, and changed its name in order to achieve a wider appeal. It has used many other names in the course of its campaigns for various sorts of anti-labor and anti-progressive legislation. Its support comes chiefly from big power and public utility interests.<sup>10</sup>

#### CITIZENS' ALLIANCES

The Citizens' Alliance, as an employers' association title, also deserves special mention. In some cities it has been much like the citizens' committees. In others it has been more permanent like the industrial associations or American Plan associations. Many of the earlier "united fronts" of employers and business interests against labor, used this title. They often started as employers' associations later securing the coöperation of the citizens generally.

The Citizens' Alliance of Denver was one of the first to be organized. It began operations soon after 1900 and in its day had great influence in Colorado. It was one of the most sinister organizations of its kind ever established by the employers. It figured in the charges of violence, provocation, and other murderous operations brought against the Colorado Mine Operators' Association by the Western Federation of Miners. It complemented the employers' association and was created to endorse the actions of the coal operators and to dominate public opinion more completely than any outright employers' association could expect to do.

The application for membership in this alliance read: "I, \_\_\_\_\_, do hereby make application for member-

<sup>10</sup> For a description of the American Constitutional Association, and others like it, see Norman Hapgood: *Professional Patriots*.

ship in the Citizens' Alliance of Denver, Colorado, and affirm that I am not a member of any labor organization and fully agree to discountenance all strikes and schemes of persecution resorted to by organized labor."

With a membership of approximately 30,000 in the state, the alliance became the dominant power in local government in 1903 when the militia was slaughtering the coal miners then on strike. It circulated among the business men of Cripple Creek and Victor, Colorado, an agreement that they would not employ any person connected with the Western Federation of Miners.

It is clear that this alliance was nothing more than a tool of the formidable Colorado Mine Operators' Association, which in the early years of this century was busy with guns, bombs, train-wreckers, dynamiters, and provocateurs in attempting to destroy the mine workers' union.

The citizens' alliances, which receive most publicity to-day, are much less dramatic and primitive in their methods. They are the average type of open shop association organized to offset unionism in the building trades, and keep the non-union shop on top in local industry. Typical associations carrying the name operate in three Minnesota cities—Minneapolis, St. Paul, and Duluth. Minneapolis employers formed their alliance in 1903. In 1919 it opened a free employment bureau which now costs about \$10,000 a year to maintain. The St. Paul alliance developed out of efforts to break a local strike of teamsters in 1920. It has, of course, coöperated closely with the local Builders' Exchange and local business bodies in weakening unionism in the building and other industries. The Duluth alliance has been still more recently organized. All are flourishing bodies. According to the bulletin of the Milwaukee Employers' Council, an admiring rival, "they have the broad interest and support of all their business and citizen groups in addition to their industrial employers."

*National Associations*<sup>11</sup>

## THE NATIONAL ASSOCIATION OF MANUFACTURERS

In his book on employers' associations, Professor Bonnett has devoted nearly a hundred pages to an exhaustive treatment of the National Association of Manufacturers of the United States of America which, he tells us, "has been more active over a wider field than any other similar organization." Its propaganda output has greatly exceeded that of any other employers' association. It is not our purpose to summarize the extensive description given by Bonnett, except to quote its traditional attitude toward labor unions. However, it may be well to add a few notes based on the more recent activities of this leading American employers' association, which in 1926 claimed a membership of some 3,200, including employers and employers' associations in almost every state in the union. The total industrial investment of this membership is estimated at four billion dollars.

Some 270 delegates, over 70 of them representing other employers' associations of more limited jurisdiction, attended the 1926 convention of the N. A. of M. The registration list included local employers' associations, business men's associations, and chambers of commerce, nationwide industrial associations covering one line of business, such as the United Typothetæ of America, state manufacturers' associations, and also separate corporations, such as the Westinghouse Electric & Manufacturing Co., Otis Elevator Co., Firestone Tire & Rubber Co., and the Packard Motor Car Co.

Although no less militant against labor unions than in its more notorious days when it was investigated by the United

<sup>11</sup> For descriptions of other national associations not discussed in this volume, including the National Civic Federation—the employer-labor leader combination, the chief purpose of which is to check every progressive tendency in trade unionism—see Bonnett: *op. cit.*, and Norman Hapgood: *op. cit.*

States Senate and found to have been guilty of maintaining a lobby to influence legislation, to have bribed labor leaders, and to have employed spies, the association, in keeping with other such bodies, is now advocating more welfare devices to hold labor in its place. At its 1924 convention, its committee on industrial relations reported favorably on various schemes for increasing coöperation between capital and labor—employee representation, profit sharing, group insurance, housing assistance, house organs, pension plans and “personal contacts.”

At its convention in 1925 the association passed a resolution which caused even the *New York Times* to comment, “it reads just a little bit too noble.” Part of this resolution said:

“The highest function in American industry is not to make profit but to bring betterment of conditions to the workers as well as to the owner . . . to protect the health and safety of the worker, to give him incentive for advancement along lines suited to his ability and to take the initiative in employee relations upon a basis of mutual interest through fair dealing and frankness regarding the facts and conditions of their common enterprise.”

In contrast with the sweet words about welfare and the high purposes which have been frequently voiced by the association, we find in its literature, and in the speeches of its officers many references revealing its inflexible opposition to unionism. It has referred to the unions as criminal, although, of course, it leaves room for what it calls “good unionism, if such exists anywhere.” However, it believes that “the real and ideal union is the one between the employer and the employee.” Professor Bonnett says: “Its arraignment of unions ‘as now conducted’ is continuous, and it has indicted ‘present-day unionism’ on every conceivable point, from the charge that unions are an ‘aid to dirt’ to that of murder and treason.” It has, for example, contended that “labor pacts,” meaning presumably agreements between unions to help each other, are “lawless, anarchistic and dangerous,” and because of this, the association feels itself called upon “to arouse the great



middle class to a realization of what trade unionism really means.”<sup>12</sup> In one of its calls to arms in its publication, *American Industries*, it declares: “We must coöperate—we must get together and stick together to uphold our honor and honesty, we manufacturers and merchants, or rampant labor men, socialists and demagogues, will be our undoing.”

What it means by rampant labor men is evident from another statement: “Our Government cannot stand, nor its free institutions endure if the Gompers-Debs ideals of liberty and freedom of speech and press are allowed to dominate.”

While denying the existence of classes, and deploring “class hatred” and the class struggle, it apparently relies, as Professor Bonnett observes, “mainly on class interests in its appeals to employers.” And at another place he says: “It is clear from the above that the National Association of Manufacturers is opposed to practically everything that the American Federation of Labor and similar unions advocate, from closed-shop agreements to labor legislation,” and in its legislative and political work, it has supported “practically all public officials who have won the enmity of the American Federation of Labor.”

The association has helped other associations, as well as member firms, to break strikes, although this side of its work receives the least publicity. Most of its propaganda material touching on labor consists of attacks on the trade unions and trade union officials.

A recent pamphlet on *Labor Conditions in England*, by Noel Sargent, Manager of the Industrial Relations Department of the association, calls the closed shop an “economic crime,” and speaks of the company union as “true collective bargaining.” Sargent doubtless recommended this form of “industrial government” to certain British employers who have recently attempted to introduce the company union in their factories.

The Employment Relations Committee of the association

<sup>12</sup> Bonnett: *op. cit.*, p. 348.

reported to the convention in 1926 that "we, as manufacturers, are interested in profits. . . . Every activity of this Association, therefore, and every recommendation of this and other committees must, in the last analysis, be judged by this one standard—Does it contribute to the immediate or ultimate profit of the Association members?" Following this statement, the committee dwelt upon the subject of "industrial leadership" and declared, "Some of the working people of this country follow their natural leaders, *the owners and managers of industry* (italics ours). Others find their leadership where they can."<sup>13</sup> The association considers it extremely unfortunate that workers should select their labor leaders anywhere outside the corporation, or that they should look to unions for advice and guidance. The natural leader of the steel worker, it contends, is Mr. Gary. The natural leader of any worker is the man who bosses him, and who determines, without the worker's assistance, how much shall be placed in the latter's pay envelope.

#### AMERICAN PLAN-OPEN SHOP CONFERENCE

One organization of employers which has been little discussed is the American Plan-Open Shop Conference. It is in fact not an organization in the strict sense of the word, although it has an office in Salt Lake City together with the Utah Associated Industries, and has one officer, a chairman, who handles the business. It pictures itself on its letterhead as "an intensive training in organization and management to industrial executives."

As its name implies, it is really a sort of informal semi-annual gathering of the representatives of more than a hundred local, state, and even national employers' groups. It issues from the chairman's office monthly mimeographed reports on

<sup>13</sup> N. A. of M., Thirty-first Annual Convention (*Proceedings*), 1926, pp. 134-135.

the open shop situation throughout the country. It prints alluring invitations to the conferences, and issues a printed digest of each. It is important, primarily, not for what it does itself, but rather through what its member organizations do under the inspiration of the statements made and resolutions drawn at the conferences.

These conferences have been held regularly since 1922 when a group of Western association executives met in Salt Lake City at the request of the manager of the Associated Industries of Utah. They met to hold a sort of postmortem over the unions they had killed and to lay plans for further killings. The leaders in the first conference were from associations west of the Mississippi.

Subsequent conferences were held in San Francisco, Portland, Ore., Oklahoma City, Colorado Springs, San Antonio, Kansas City, San Diego, Detroit, and Dallas, in all of which thriving open shop associations exist. A brief survey of the pronouncements made at some of these conferences will help us to understand the character of this group of associations.

At the Kansas City Conference in April, 1925, the report on "the status of the open shop in outstanding industries" indicated that in most of the communities represented, the open shop was spreading rapidly and already covered from sixty to one hundred per cent of the workers employed. The purpose of the conferences is to hasten this process. "The answer is: no agreement, no contract—make a clean sweep." In other words, the conference urged its members to break down all collective bargaining arrangements that might possibly remain in their communities.

This conference suggested also the means by which the non-union shop could be advanced in the newspaper industry—"as soon as advertisers make up their minds that they will place their advertising in newspapers that stand for industrial freedom." We have already noted what the term "industrial freedom" means to an anti-union employer.

After presenting some miscellaneous information on the conduct of trade schools to train non-union workers, the report gives advice on the establishment of employment bureaus and tells us that "the most successful employment agencies maintain an exact card index giving all necessary information on each applicant." A blacklist is the natural product of this index.

The conference report urged also that industrial executives should "watch the national plans" of the A. F. of L. and "observe the tendency in your local labor circle."

The next conference held in San Diego, November, 1925, and attended by seventy-five delegates, discussed an even more diversified list of subjects. Formal discussions covered methods of extending open shop influence, employment service, the foreman, conditions in the metal trades, the printing industry, the wage question, principles underlying effective management, women in industry, disquieting influences in public schools, vocational training, labor day parades, and education of workmen. The proceedings of this conference are embodied in a pamphlet bearing the title, *For Sound Industrial Relations*. The contents read like the promotion booklets of the Sherman Corporation, Engineers (industrial spy specialists). There is frequent mention of "constructive influence," a favorite commodity of the espionage entrepreneurs. This influence is to be cultivated not only over workers and foremen but over editorial writers and preachers. "Industrial associations must accept the responsibility of seeing to it that the teachers have the right attitude of mind toward industrial questions." Not only this, but "the antecedents of teachers and supervisors should be known." The clear purpose is to line up public school teachers against unionism.

Under the title of "Education of the Workman," the conference report suggested that the employer and industrial executive should attempt to immunize his workers against the virus of trade unionism. "Take away his interest in deadly propa-



ganda that emanates from destructive sources," is one of the commands.

Six months later, in May, 1926, well over a hundred local, state, and national industrial associations were represented at the Detroit conference, held under the patronage of the Associated Building Employers of Detroit. In its handbook containing the proceedings of this conference, the officers trace its growth and declare that "the Conference has now proved its claim: to be the fountain head and inspiration and guidance on the problems of human relations in industry." The anti-union pronouncements at this conference were even more distinct than those of previous gatherings. "Employers shall deal directly with their employees either as individuals or as groups," but not through any unions affiliated to the A. F. of L. This rule remained the keystone in the American Plan arch. They supplemented this with the warning that "employers should not permit the initiative in handling the wage question to be taken out of their hands." The ban is definitely declared on all "outside agitators," meaning representatives of the trade unions. And the union shop "must be looked upon as a form of industrial pestilence which must be immediately cleaned up."

The Dallas conference, in November, 1926, under the auspices of the Dallas Open Shop Association, was even larger and more enthusiastic. Invitations to it informed the prospect that he would meet at the conference "the men who are on the firing line," and who "are making real progress in handling the biggest problem now before the American public—the labor problem." Again, "fighting the battles of the Open Shop, the American Shop, is a task big enough to command the attention of us all." Persons who might attend were told that they would return home, "laden with new enlightenment, renewed determination, ready and eager to do noble battle."

In invitations to this conference, the prospect's fears were played upon effectively. "The deadliest assaults of the enemy"—organized labor agitators—were referred to, and it

was asserted that "day and night without surcease, these enemies of American institutions are striking at the very foundations of our industrial peace, social unity and economic development."

Some of the items on the Dallas program were the following:

1. "What Happened at Detroit," the story of the attack on William Green and the A. F. of L., by the various Detroit employers' associations during the convention of the A. F. of L. in October, 1926.

2. "The Office-Holder and the Open Shop,"—how to make the men in public office "avowed allies to the cause."

3. "Industry's Responsibility in Legislation,"—an analysis of A. F. of L. and progressive attempts to "communize and socialize America by legislative process."

4. "An Open Press and the Open Shop."

5. "Subversive Influences in our Schools."

6. "Selling the Open Shop to the Workman,"—the technique used to "immunize workmen against that dreaded industrial disease—the closed shop."

7. "Restoring Industrial Freedom to a Closed Shop Community,"—how to "storm the outposts, destroy the defenses," and thoroughly crush the unions.

Other discussions dealt with mobilizing the open shop forces of America, how to construct an open shop publicity program, reports on the growth of the non-union shop in various industries, and lessons from the musicians' strike. The chairman of the conference declared that the battle for the non-union shop must be waged on the legislative as well as economic field, and tactics for defeating social legislation were discussed. This convention was attended by a larger number of executives from eastern open shop bodies, the National Association of Manufacturers and other national bodies being represented.

As noted above, the A. P. O. S. C. does little except to call the conferences, print proceedings, and act as a clearing house for its scattered association members. One of its regular ser-

vices is a *Condensed Labor Report*, several mimeographed sheets prepared monthly to inform members concerning the progress of the non-union shop. The form of these reports reminds one of the A. F. of L. organizer's reports which appear monthly in the *American Federationist*. They are paragraph digests of reports received from the secretaries of local associations. A few typical extracts will show their content:

"November, 1926—Joplin, Mo. Shortage of bricklayers. No strike for the last six years. About half of the general contractors coöperating. The community itself is sold to the Open Shop.

Kansas City. Disturbances within the ranks of labor unionism which may result in a free-for-all among the leaders of the two factions."

The American Plan advocates always love to see internecine war in the unions. But the good news is not all for the employer. From Ponca City, Okla., comes this message:

"Announcement comes that the Open Shop organization is disbanded. Unofficial word comes at the same time that unions have come back and are restored to former power."

The editor adds his own note after this piece of bad news: "Query: Can any community afford to throw away its weapons of defense?"

## II. ATTACKS ON THE UNIONS

### CHAPTER IV

#### SOME METHODS AND PRACTICES OF EMPLOYERS' ASSOCIATIONS

OUR descriptions of certain local and national organizations of employers, of the more belligerent type, has given us some insight into the activities of this class of association. It might be possible to summarize these activities in a paragraph as does Professor Bonnett when he writes:

"The belligerent associations may fight the union in actual battles with machine guns; it may oppose the union in legislative and political matters; it may combat all union strikes; it may carry on a continual propaganda against the union in every particular or only against certain practices of the union; it may effectively blacklist all union members by means of a card index system; it may attempt to destroy all the sentimental appeal in the betterment activities of the union by doing welfare work; or it may combine a few or all of these activities in its general campaign against the union."

Or one could give an orderly list of association methods as does Robert F. Hoxie, in his indispensable book on *Trade Unionism in the United States* (page 190). Professor Hoxie lists twenty different types of activity carried on by the more militant employers' bodies. His list is pretty nearly complete. It is of interest, however, to note which methods have been resorted to most frequently in recent years. An examination of the literature of associations, chiefly of local ones, gives us concrete instances of the various methods listed by Hoxie. Some associations issue tons of printed matter describing their activi-



ties in great detail. Others are more modest (or secretive) and tell us very little concerning their methods. The extracts and examples which follow are chiefly from the recently issued literature of a wide variety of local organizations and a few of broader scope. These methods of conduct and combat, of course, vary in character and degree depending upon the economic strength of the trade unions, if any, the state of the employment market, the leadership of the employers' group, and a number of other factors. Some associations have abandoned the more provocative anti-union methods of 1920-21. Many of them by employing militant methods succeeded in liquidating unionism in their local field. They can now afford to be more generous and conciliatory—toward helpless non-union labor. However, there are still plenty of associations which might be described as militant and combative, in their daily practices as well as in their public pronouncements.

It ought to be clear to any person familiar with the industrial struggle that some of the activities of the associations are carried on, so to speak, underground. For example, an association is not likely to announce in the newspapers that it is about to: plant a labor spy in a factory or a union, bribe a labor leader, frame up a business agent, establish a blacklist, exert pressure on a banker, import a gang of strike-breakers or sluggers, confer with a deputy sheriff or a police captain, exchange "inside information" with a professional patriotic society, draw up an indictment against an agitator, financially aid a struck employer, encourage a dual union, "approach" a councilman or a legislator.

There are dozens of such association practices which, to say the least, are not widely advertised. Only a few of these are discussed in the following pages. The evidence concerning them is not easy to obtain unless one possesses an espionage service equal to that of the employers.

The more open activities of the employers' associations are varied and numerous. A few of them which pertain particu-

larly to what might be described as labor and trade union relations, are illustrated in the following pages. Most of them are given in the language of the association. Hence the abundant use of quotation.

If the average local militant employers' association were asked why it exists, the answer would be: "to solidify the business interests as a matter of community welfare, to assist fellow employers involved in trouble—chiefly labor trouble—to support orderly government and law and order, to further the American Plan of employment, to secure industrial peace and tranquillity, to maintain sound relations and perpetuate prosperity." These and similar statements would roll out from the enterprising executives, managers and publicists who head these organizations. But what specifically do they do in pursuit of these hazy and general ends? That is a question which the following paragraphs may help us to answer.

An important function of the employers' association is to issue reports to its members warning them against the organizing activities of the trade unions. For example, the Employers' Association of Denver issued a circular to its members in 1926, warning against the campaign begun by the Machinists', Sheet Metal Workers', Carpenters', Upholsterers', and Teamsters' and Chauffeurs' unions to organize the workers in the automobile and garage industry. It ends its appeal to manufacturers to be "prepared for whatever may come" by declaring, "organized labor must not get control of the industry, for it will mean another transportation strike as of 1922 with automobile transportation thrown in." The specter of the railroad shop crafts strike of 1922 still haunts the employers.

The Employers' Association of Kansas City is no less alarmed as it surveys the union campaigns in that city. In one of his recent circulars to "fellow citizens" the secretary of this association declares:

"Should we continue to be inactive and not alert to coming events, as surely as the sun shines, we will drift, be driven, yes,

and rushed toward the intolerable English situation. . . . Can you not see that union labor, misguided by grafting leaders, has put that great country, the British Isles, out of business?"

After Soviet Russia, the blackest bogey useful to association executives in scaring contributions out of frightened American employers, is the labor solidarity exhibited in the British General Strike of 1926.

Not only warnings of union campaigns, but recommendations and instructions as to how to meet them are contained in letters sent to members of these associations. On March 6, 1926, the National Automobile Chamber of Commerce, a subsidiary of the Chamber of Commerce of the United States, informed its members of a campaign to organize service stations. After describing the projected move of the unions, the letter says:

"It was voted at the meeting that the Chamber should recommend to its manufacturing members that they advise their distributors and dealers that any attempt to change the open shop conditions in the service stations of their dealers can only result in injury to the public, the employee, the trade and the manufacturing end of the industry."

Whereupon, the Director of Service of the Chrysler Motor Company mailed this letter as a part of the "Chrysler Confidential Bulletin" to all its dealers, distributors, and service stations, together with a note saying that "the attached Bulletin reveals a very dangerous situation . . . we solicit your keenest efforts to maintain service stations as open shops." Presumably, all the other motor car corporations connected with the N. A. C. C. warned their service station managers in like manner.

The National Association of Manufacturers is continually warning its constituents of the unionizing plans of the A. F. of L. It often carries stories in its publications headed, "New Drive for the Closed Shop," in which it analyzes the projected drives of the unions. In *American Industries* (September, 1925), it predicted a new drive of the unions to which it at-

tributed the following purposes: (1) To counteract and offset the growth of public opinion favorable to the open shop. (2) To secure "absolute union control" over certain large "key" cities. (3) To extend "strategic strength" of certain national unions. (4) to "demoralize the present harmony and satisfactory conditions enjoyed by employees." (5) To secure a foothold to organize the steel industry. (6) To regain ground lost in the struggle for the forty-four hour week, particularly in the typographical trades.

After this terrifying exposé, the N. A. of M. organ informs us that for more than thirty years it has been the foremost proponent of the open shop: "We therefore present the above details as to the latest 'national drive' of the Closed Shop labor unions with the belief that such publicity will righteously forewarn and forearm the Open Shop industries and associations throughout the country."

The N. A. of M. righteously warns not only its own members, but all employers' associations to be ready for the great labor drives, which the A. F. of L. is imagined to be plotting.

Funds to finance drives on unions are often raised by local associations either directly or through citizens' committees, law and order leagues, voters' leagues, and other bodies bearing names that give a more neutral and popular flavor to the campaign. The Milwaukee Employers' Council claims that it raised \$20,000 for such a purpose in 1925 and planned to raise three or four times this amount the following year for its war on the socialists in that city. We have seen how a citizens' committee in San Francisco, under the sponsorship of the local Industrial Association, raised nearly five million dollars in a series of drives, and how Cleveland's American Plan Association organized a citizens' committee to raise an equal amount for an attack on the building trades unions in that city. The St. Paul Citizens' Alliance has also been very successful in raising funds. When it came into existence for the purpose of breaking a delivery and transportation strike in 1920, it raised



funds not only sufficient to accomplish its immediate purpose, but to carry the organization for several years.

An original way to raise money for anti-union campaigns was tried out in Seattle during the days of the open shop drives of 1919-21. The Associated Industries of Seattle instituted a policy among its members of writing no more agreements with unions. Funds were raised to support the employers in any strikes they might provoke by this policy. The employers went so far as to pledge themselves in case they signed an agreement with organized labor to forfeit one hundred dollars to every Associated Industries employer in their local trade or industry.

Militant appeals to employers to break off relations with unions are frequently made by local employers' associations, especially in communities where the building trades unions are still entrenched. The Employers' Association of Kansas City has issued particularly frantic appeals. An example is taken from a letter to employers dated February 5, 1926:

"Contractors, dislodge your shackles. Tear them from your hands of bondage. Say to the employee who is competent to fill the job, that I am to-day an independent American citizen; I will not longer deprive you of work because you fail to worship at the shrine of organized labor. Our Fathers suffered, bled and died to make this a free country. Why should I endorse the principles of union labor and refuse you employment? Here is your job, take it.

Give every man an equal chance. Contractors, architects and owners, call a conference and talk it over. 'Take the bull by the horns' and declare your independence.

Respectfully submitted,

(signed) H. H. ANDERSON,  
Secretary."

Such an excited call to "freedom" may, of course, be the result of weakness and frustration in the face of real union strength. Where employers have been successful in smashing unions, they have usually gone about it in a less heated and oratorical manner. When the money has been raised, they

have simply put it quietly to work in ways most effective for inducing the employer to drop his agreement with the unions.

### *Patronize the Open Shop*

Urging employers to buy only non-union goods and to boycott union-made products are very common tactics in the war on the union shop conducted by local associations. The Milwaukee Employers' Council in 1926 issued a "manifesto" to its members urging them, in the interests of a campaign against the electrical workers' union, to patronize only open shop electrical contractors. "We know what we are talking about," it declared, "and we are giving our manufacturers fair warning that unless they see fit to do something about it without delay, there will soon be no open shop electrical contractors in building construction to patronize."

The use of the business man's boycott to maintain the "American Idea" is illustrated also in the work of the St. Paul Citizens' Alliance. John P. Frey, editor of the *Molders Journal*, in his book on *The Labor Injunction*, tells how this alliance instituted a boycott against a certain firm of plumbing contractors because it had refused to place an "open shop" show card in its window. The plumbing concern applied for an injunction to prevent the boycott by the alliance, but the court sustained the alliance in its right to enforce the boycott. This type of boycott is very common among local associations.

The Employers' Association of Detroit as we have noted is no less aggressive in its open shop appeals. It ran the following full-page advertisement in the *Detroit Saturday Night* of July 31, 1926 (Twelfth Annual Open Shop Number), telling the business man how he could aid in the battle with unionism:

"The Open Shop has made Detroit a great industrial center.

Detroit needs the Open Shop if she is to continue to advance.

What can Mr. Average Citizen do to promote the welfare of Detroit and incidentally of his fellows, his family, and himself?

The answer is a simple one:

Property owners specify the Open Shop and employ only local contractors who are fighting for progress.

Purchasers of goods buy only from Open Shop producers.

If you need printing see an Open Shop printer.

Manufacturers buy patterns and castings from open pattern shops and foundries.

Think Open Shop!

Talk Open Shop!

Yes, and vote for those who support the Open Shop."

The "don't patronize" appeals are phrased much like the union label "ads" appearing in the journals of A. F. of L. unions, only with the exactly opposite purpose, as the "unfair list" to the union is a "fair list" in the eyes of the employers' association.

Sometimes the association member is asked to act as a volunteer evangelist for the open shop, just as the union member is exhorted by his local central body to show his union faith by patronizing and encouraging union shops. In May, 1925, the Associated Employers of Indianapolis addressed its members through its publication, the *Digest*:

"Out-of-town organizers of the International Alliance of Hotel and Restaurant Employees' Union have been in the city for a few weeks, endeavoring to unionize the cooks and waiters employed in the hotels, cafeterias and soft drink places. It is reported that a union charter was recently granted to sixty-five of these newly organized workers. In patronizing downtown eating places, members should encourage the managements to refrain from recognizing the union which has been instigated entirely by non-resident agitators to foment discord and strife among these employers and employees."

Not only in food places, but in their patronage of coal mines, the Indianapolis association urged its members to support non-union business. In its *Digest* of December, 1923, it gave the names of nine non-union coal operators' associations in West Virginia and Kentucky, and asked its members to "communicate directly with these organizations and give the names of

your local coal dealers with whom the operators can negotiate for a wider use and distribution of coal not mined under union conditions."

In addition to advertisements, circular letters are used. The Association of Employing American Plan Printers of the Print Trades Association of Cincinnati, wrote to a list of buyers of printing on June 1, 1925, promising that "no portion of your money" spent in an open shop plant "is diverted to the union agitator," and that "plants holding membership in the Print Trades Association do not deal with labor unions . . . your best interests are served by placing your printing orders with an Open Shop."

### *The Blacklist*

Employers' associations often keep a blacklist of union men. It usually dovetails with a spy system, an employment bureau, or a clearance card system. An excellent example of its employment by a general local association in an effort to break a local of the Teamsters', Chauffeurs', and Truck Drivers' Union is presented in the following letter from the Employers' Association of Denver. It shows that this association had employed a stool pigeon to spy on the union, and that through his services a blacklist had been established. The letter which was first reproduced in the *Colorado Labor Advocate*, November 5, 1925, follows in part:

"To Members:

In order to successfully combat the growth of unionism in Denver—especially in the teaming end of industry—it is necessary that the Employers' Association has the full support and co-operation of its members. *This is imperative.* We are doing everything in our power to secure information for our members, but it must be understood that this sort of work calls for discretion and the delicate handling of the situation. One hasty move might arouse suspicion and thus spoil everything. However, our investigator has been instructed to work as fast as advisable in order that we may be in a position to make some definite move.



. . . If a man is discharged from your employ, kindly advise us by *phone*. Before hiring new men, call us up and we will be glad to help you. By following this procedure, a great deal of time, money and trouble will be saved. We urge our members to help us in this way for unless you do, we are greatly hampered in our effort to clear up the situation.

We give below a list of the names we have been able to procure up to date, of those who have joined the local in question."

(Here followed the names of twenty-one union members.)

The blacklisting of union men, particularly those who have had something to do with strikes, is so common as to be a part of the accepted procedure of the anti-union corporation. In the next chapter we shall refer to many corporations that use some sort of under-cover method to keep their plants clear of union agitators. Here we are interested only in such instances as show the relation of the employers' association to the blacklist tactics. We have seen how the American Plan Association of Cleveland, and other such bodies have built up a blacklist as a part of their employment bureau system.

Other local associations with most effective blacklists are the local units of the National Metal Trades Association, such as the Philadelphia Metal Trades Association. It keeps a complete card catalog of every worker in the city, with the union men and the "agitators" appropriately noted. Any member of the association sending the name of a job applicant to headquarters, can secure an immediate check on the worker's record in union and political activities. It also follows the usual practice of the National Metal Trades' Association of keeping a list of the "reliable" non-union men who can be counted on to assist in strike-breaking. They are given certificates or dismissal cards.

Blacklists are frequently instituted in connection with open shop drives by groups of employers covering all the industries of several adjacent cities. For example, during the campaign against the unions in 1921 the chief employers of Moline and

Rock Island, Illinois, and Davenport, Iowa, organized a central employment agency with a blacklist. If a worker was dropped from his job in any factory, he was automatically shut out from all the factories in the other cities.<sup>1</sup>

During the same year many local employers' associations, such as the Philadelphia Textile Manufacturers' Association, carried on a thorough "housecleaning" of union workers. This organization represented companies employing about 225,000 workers in the textile mills of that city. It weeded out all those workers that could be described as "trouble makers" or "radicals." A file was established and a number of "industrial service bureaus"—labor espionage corporations—were employed to identify the agitators. Active shop organizers in many of the local textile unions were discharged during the drive and could secure jobs in no other textile mills in the city.

Perhaps the best illustration of the way a blacklist bureau is operated through the employment office of a local industrial association, can be found in an affidavit made by John Sherman, of Garfield, N. J., on April 23, 1926, at the request of Rabbi Stephen S. Wise, of New York, in connection with efforts to settle the Passaic textile strike. Sherman swore that he had worked for the Industrial Council of Passaic Wool Manufacturers, in the capacity of clerk, interpreter, and investigator from 1909 to 1926. He affirmed in part:

"My duties consisted of obtaining from applicants for jobs full particulars concerning former occupation, why they left their former jobs, how much they have been earning, description of the person and habits of the person. This application with the said information was then submitted to Mr. S. I. Sztokowski, who was the manager of the Employment Bureau of the Industrial Wool Council. The information which the Bureau required concerning applicant's previous record was obtained by sending to his former employers a blank known as Form No. 2 with the request that they fill it out and return it. On the basis of the application and the information derived by means of Form No. 2,

<sup>1</sup> *Printers' Ink*, June 2, 1921, p. 4.

we would determine whether the applicant was likely to be a trouble maker. If so, our instructions were to refuse to give him an employment card. In 1925 and 1926, the method was adopted of giving the applicant a card, but indicating by a secret number system, what objections there were to him, or her. The employment clerks at the various mills hired or refused to hire, depending upon the code number which appeared on this card, known as Form 3.

I know that each of the members of the Wool Council had detectives and spies in the mills who were charged with the duty of watching the employees and talking to them, and of reporting to the management any actions or language which might indicate the possibility of his causing trouble. These detectives and spies were especially instructed to report any person who complained about his wages or working conditions, whether he ever mentioned forming a union, whether he worked steadily at his machine, whether he had any ill-feeling towards the company, whether he was a crank on the labor question, whether the machines were kept running to the fullest capacity, whether favoritism was shown to any employees by the foreman, etc. Whenever any person was discharged or left his job of his own accord, I would receive a report from the mill where he had been employed setting forth by means of a code number the reason or reasons why he or she had been dismissed or had left.

If any person came to the office of the Wool Council with a quit-card which did not indicate any reason for his discharge, we were required to call up the mills he had left and inquire why he had been discharged. After a man had once been dismissed by one of the members of the Wool Council, and he again sought employment, we would give him a card, but would indicate thereon in code what offense or offenses he had been charged with committing in the other mill or mills. If any of the members of the Council were badly in need of help and a person applied for a job whose card indicated that his or her record was not clear, the mill would apply to the Council's office for a full report of that person's activities during his or her employment in the various woolen mills, which report we would furnish. If any person was guilty of any serious infractions of the rules or policies of the member mills, it was virtually impossible for him to obtain employment with any other of the member woolen mills. No applicant for a job was ever accepted at any of these woolen mills without a card from the Wool Council.



Many applicants who found it impossible to obtain a job came to the office of the Wool Council and inquired for the reasons for their being blacklisted. *My instructions from my superiors were never to admit to any person that he had been blacklisted.* I was instructed to make up my own excuses in each case why the man or woman had been unable to obtain a job."

Other examples of an effective blacklist have been brought to light in recent years in the lumber industry of the Northwest, in the copper mines of Montana, and among certain shipping concerns on the west coast. All the workers hired by the copper companies of Butte are required to carry a "rustling card" from a central employment office. No cards are given to known union men or to any sort of worker suspected of "agitation." The Shipowners' Association of the Pacific Coast requires each seaman to carry a Certificate and Discharge Book in which his conduct is noted. Workers known to be active in the union are unable to secure these industrial passports. The system also ties in with the recruiting service of the United States Shipping Board.<sup>2</sup>

The secretary of the Open Shop Employing Printers' Association of Chicago, in a confidential letter to non-union employers early in 1925, urged that "every one should be extremely careful at this time about hiring new men. Make sure of their records. While doing this don't forget to keep track of your present employees—the unions are very active. Keep strangers out of your plant unless they are cleared with permission from this office. Take all practical precautions. An ounce of prevention is worth a pound of cure." The same secretary, in an article in an employers' journal, reported that this employment clearance bureau has 50,000 workers' names

<sup>2</sup> Late in 1926 the United States Supreme Court handed down a decision declaring that the shipowners' registration and blacklist practice was illegal. The decision developed out of a suit filed in 1922 by Cornelius Anderson, a member of the Seamen's Union of America, against the Shipowners' Association of the Pacific Coast and the Pacific-American Steamship Association. (47 Supreme Court, 125.)



on file, "and the employer is sure that the workman sent out by the employment bureau is a good reliable worker."<sup>3</sup>

### *Political and Legislative Activity*

Many local associations devote much time to attacks on any expression of labor sentiment in political life. In some cities, as in Cleveland, it may be a violent attack on progressives of the 1924 La Follette stamp; in others, it may be a resistance to the communist political strength; in others, a fight on a vigorous socialist element. In Milwaukee, where the socialists have been in the city administration for some years, certain wage ordinances and laws restricting the use of industrial spies proved to be a considerable "hardship" for the local Employers' Council and stimulated them to political action.

When the business men of a community grow sluggish and indifferent, it is the function of the local association to arouse them and spur them to action politically. Thus the Employers' Association of Kansas City appeals to its constituents in December, 1926:

"We should unite our efforts and have repealed certain statutes that have been enacted solely in the interest of union labor and greatly to the detriment of Industry and Commerce. We should pass a law that will give every citizen 'the right to work' in any legitimate occupation. This state should have an 'anti-picketing law.' . . .

We will soon be required to meet conditions of a new year. A new Legislature will be convened. We all know that labor will continue to make new demands, seek increased advantages and dominations, through legislative enactments.

What do our business men anticipate in new legislation in the interest of industry and fair dealings? Are they satisfied with present conditions?

Organized labor will have many committees stationed at Jefferson City looking after labor's interest during legislative sessions.

What are we going to do?"

<sup>3</sup> *Manufacturers' News*, December 26, 1925.

The Associated Employers of Indianapolis can boast of very definite achievements on the political field. In the annual address and report of its officers in 1924, they inform the membership that

"in legislative matters during sessions of Congress and the state General Assembly, the organization has been active in keeping its members informed on pernicious proposals affecting the interest of employers and employees. . . . At times also the Association has had occasion to inquire into city ordinances, and has helped its members defeat some such proposals, while assisting them also to secure the enactment of needed ordinances such as the 'anti-picketing' and 'anti-banner carrying' ordinances. . . . As a result of our Association's 'objectives,' Indianapolis has acquired national recognition as a city of industrial peace."

The association was active also in the passage of a so-called "anti-Bolshevik" law in Indiana. Bonnett, in his chapter on this association,<sup>4</sup> describes some of its legislative activities:

"The A. E. I. opposes legislation designed to create a 'new order of things'; it desires 'constructive legislation and the enforcement of laws to check the radicalism of the A. F. of L. and the Bolsheviks,' on the grounds that . . . 'There has been too much rampant, privileged and unbridled license and abuse of the "right of free speech and free assembly" on the part of radicalists who seek to achieve aggrandizement through the physical overthrow and destruction of our Republican form of government.'"

This association opposed the Plumb Plan of railroad control as an attempt to "sovietize" American institutions. It has also advocated a state constabulary bill and has coöperated with national employers' associations in urging a federal "Anti-Strike Bill on Railroads."

Most of the local and state employers' associations direct their legislative drives against workmen's compensation acts—the Federated Industries of Washington has been particularly vigilant in this matter—and other legislation supported by labor, such as the child labor amendment, old age relief and

<sup>4</sup> *Supra cit.*, p. 499.

the federal maternity act. To achieve their ends they employ professional lobbyists, publicity agents, and other modern propaganda methods. Ex-Senator William M. Butler, President Coolidge's sponsor and spokesman, and chairman of the Republican National Committee, laid the foundation of his textile fortune by acting as lobbyist for an anti-union cotton manufacturers' association. Other national figures have begun their careers as political heelers for employers' organizations.

The Utah Associated Industries in a self-congratulatory mood observes that nearly seventy lines of business are represented in its organization and that at a recent meeting, representatives of twenty-five of the state's biggest lines of business "came together under the leadership of the Utah Associated Industries to anticipate the immediate needs in legislation. . . . With the functioning of this outstanding intelligence is it likely that legislation will be passed detrimental to the state? It is hardly conceivable." The kind of legislation here referred to includes the minimum wage, old age pensions, and other progressive measures endorsed by organized labor.

Probably no state organization in the United States has opposed all labor legislation with more vehemence and with greater resources than the Pennsylvania Manufacturers' Association. The historical records of the Pennsylvania State Federation of Labor are little more than the story of bitter and unending conflict with this powerful employers' group, whose president and chief lobbyist is Joseph R. Grundy, a wealthy textile manufacturer. No underhanded method of the skilled legislative manipulator has been left untried by this association in its fight to prevent the passage of laws favored by labor. Not only has the association spent millions on legislation and legislators, it has taken a leading part in primary and general elections. In 1926, for example, it was tied up with scandals in the notorious and costly struggle between the Mellon and the Vare political machines. In this fight, according to *Labor*, Washington organ of the railroad brother-

hoods, the association had a "war chest" of \$7,000,000, which was available for use by Grundy and his gang. This was not all spent in this campaign, but an investigation by the United States Senate revealed that nearly \$500,000 had been advanced to assist the Mellon machine. Grundy, himself, admitted it, and as *Labor* observed, "no one believes that represents anywhere near the total of his expenditures." Part of this money, it may be remembered, was used to distribute a letter endorsing the Grundy candidate, to which the name of William Green, president of the A. F. of L., had been forged.

In appealing to his class to support the Republican candidates in a certain Pennsylvania political campaign, Grundy tells the business man to contribute, "because you have enjoyed much"—through the tariff and other business measures benefiting the manufacturers.

Another manufacturers' lobby, and one of the most sinister ever set up in a state legislature, is that of the Associated Industries of New York. In 1920 it was exposed by the New York State League of Women Voters, after a thorough investigation. The league found that the "dominant obstructionist" to constructive social and industrial measures at Albany was "an organization of some 1,600 members, the so-called up-state Associated Manufacturers and Merchants, which has headquarters at Buffalo and which is just now changing its name to the Associated Industries of New York State. We are reliably informed that as early as last August, this Association had raised a fund of between \$100,000 and \$200,000 for propaganda purposes and that this fund has been used for the support of the so-called New York League for Americanism, an organization which, though extremely active in 'accelerating' public opinion, has, in fact, no patriotic nor constructive objects beyond the particular and selfish ends of its sponsors." <sup>5</sup>

<sup>5</sup> *Report and Protest to the Governor, the Legislature and the People of the State of New York*, by the New York State League of Women Voters, 1920, p. 4.



This League for Americanism, financed by an inner circle of prominent members of the Associated Industries, was found to be nothing but a propaganda organization playing on the patriotic sentiments of the people to arouse opposition to health insurance and other social legislation supported by unions. As one manufacturer of Amsterdam, N. Y., put it, in commenting confidentially on the purpose of the league: "You know, the Americanism part of it is a joke. It was organized primarily to kill off health insurance and other such fool legislation. . . . I ought to know, I helped to organize it." (*Ibid.* p. 17.)

It is of interest to note that the same Associated Industries of New York is still raising huge sums to fight labor legislation. In 1927 it paid the National Industrial Conference Board \$20,000 to prepare a brief to be presented to the state Industrial Survey Commission. The brief was a lengthy assault on practically all the social and labor legislation passed in New York state in recent years.

Some state employers' associations, in their desire to kill all social legislation, go so far as to condemn every organization that supports it. The Ohio Manufacturers' Association even warns its members against giving any financial support to the Ohio State University, the Young Women's Christian Association, and the National Consumers' League without the provision that such monies shall not be used to further legislation. The program of legislation feared by the Ohio employers is described in their own words:

"the short (and shorter) workday with the eight-hour day as the maximum in all employment, minimum wage (with commission administration and enforcement), old age pensions, unemployment compensation or insurance, one day's rest in seven, no night work for women, etc., etc., and the establishment of the employer's responsibility for living and housing conditions."

Other state bodies, such as the California Manufacturers' Association, in their war on minimum wage legislation, have

employed dummies to bring suits under the law. A young woman employed by a labor detective agency was secured by the California association in 1924 to bring such a suit, claiming that she was willing to work for \$6 a week, while the law called for \$9 minimum, and alleging that her constitutional rights had been violated. Such tactics have frequently been employed by employers' associations in their fight against legislation introduced by the unions.

Another powerful lobbying organization covering a particular industry, and typical of a number of others always on guard to protect the interests of the capitalists as against organized labor in a special line of business, is the recently organized National Electrical Manufacturers' Association whose president and leading figure is Gerard Swope of the General Electric Co. This new "union" of electrical manufacturers was formed out of a merger of the Electric Power Club, the Electrical Manufacturers Council, and the Associated Manufacturers of Electrical Supplies. Its influence on legislation affecting the electrical industry is greater than that of any other body in the country.

The most consistent and continuous war on labor legislation is made on a national scale by the National Association of Manufacturers, working through a sub-organization, the National Industrial Council, "a federation of national, state and local industrial associations organized under the leadership of the National Association of Manufacturers to foster constructive industrial legislation and to oppose enactment of class laws." The council is composed of 308 national, state, and local industrial associations, and has a membership of more than 75,000 manufacturers who have in their employ more than 10,000,000 workers. According to a statement on the work of the council published by one of its affiliated organizations, the Manufacturers' and Merchants' Association of Oregon, "no other organization in the country wields so wide an influence or is so able to render service to its members." The

long record of the National Association of Manufacturers and its subsidiary is given in great detail by Bonnett (*supra cit.*, p. 372). It reveals them as the most tireless opponents of eight-hour laws, workmen's compensation acts, child labor laws, and any legislation that in any way menaces the rights of property.<sup>6</sup>

The influence of the employers' associations on party politics and party programs and platforms is too long a story to come within the compass of this volume. Illustrations of the more obvious political activities, such as support of certain business candidates and opposition to labor candidates, can be cited from the experience of every association. One of the chief aims of the associations has been to prove to candidates for public office that the "labor vote" amounts to nothing, and to encourage the candidate to pay no attention to the threats of union committees engaged in the periodical game of "rewarding friends and punishing enemies." Bonnett illustrates this practice in discussing the National Founders' Association (p. 91). He also gives a good illustration of the other political activities of this and similar associations, in the following paragraph:

"In a political way, the Association has, moreover, pointed out that the political power of the unions in elections is pure fiction and it has condemned the Farmers' Non-Partisan League for its Socialistic and Bolshevistic character, as well as certain congressmen for their cowardice."

The same association has also commended innumerable governors, mayors, and judges for their "strong stand" in suppressing strikes, preventing picketing, issuing injunctions, etc. Like other industrial associations, it has also brought its influence to bear on political platforms and secured the insertion of anti-labor planks and provisions favorable to the employers' interests.

<sup>6</sup> Robert Hunter: *Labor in Politics*, p. 55.

How far these associations have gone, as associations, in financing political campaigns and candidates, it is difficult to say. Though corporate contributions to party treasuries are prohibited by federal law and various state laws, there is, of course, nothing to prevent an individual connected with a corporation or an employers' association from contributing generously to the party which backs the employers' legislative program. Or, like Harry Sinclair, head of the Sinclair Oil Corporation, or Samuel Insull, the public utilities magnate, he may prefer to play safe and to contribute something to both party campaign funds. Although the financing of political campaigns is not an expressed function of local, state or national employers' associations, we have noted, as in the case of Grundy of the Pennsylvania Manufacturers' Association, that an officer of an association may play a leading rôle in the collection of party campaign funds from individual members of the association.

In conclusion, we may note that the chief direct expenditures made by employers' associations for political purposes are made at the point of production—at the legislative assembly, when the laws are being passed. The National Association of Manufacturers, for example, keeps its expensive lobby in Washington for the sole purpose of bringing pressure to bear on congressmen and senators to pass legislation favorable to the business interests. State associations naturally confine their anti-labor political activities largely to the state legislatures, and the local associations are always busy electing—or influencing after they are elected—councilmen, aldermen, and other local officials. What the results of all these political activities are—at least in terms of strike-breaking—we shall discuss in the next chapter.



## CHAPTER V

### OTHER METHODS OF ATTACK

#### *Labor Spies*

AN indispensable adjunct to many of the above-mentioned anti-union activities is some form of labor espionage. This seems to combine very easily not only with the direct union-smashing tactics of the corporations and the employers' associations, but also with the more indirect tactics to be discussed later in this volume. The labor spy is used to prevent and discourage unionism. He is used to break strikes. He is frequently a propagandist for the company union.

Special "services" supplying "under-cover men" to corporations and employers' associations are still thriving in the land. Although they reached their pinnacle of prosperity during the days of the post-war open shop campaigns, they have by no means disappeared in later years. Like the employing class generally, they have adapted themselves to the changing economic situation and the "newer tactics" of labor-baiting. From out-and-out detective agencies many of them have developed into "industrial service and harmonization bureaus." For example, the "Sherman Detective Agency," issuing naked reports on how to break strikes, became the "Sherman Service, Inc.," specializing in the "man element" in industry. Still later it changed its name to the "Sherman Corporation, Engineers," production experts and company union installment technicians. Other spy corporations have in recent years passed through a similar metamorphosis.

The Sherman Corporation is an outstanding example of the more prosperous espionage services. Although its adver-

tising copy assures us, "We are entirely alone in our field," and, "We have no competition," there are certainly a number of agencies, such as the Corporations (International) Auxiliary Co., that press it hard. Sherman claims clients in thirty-three states with more than fifty industries involved, in addition to certain railroad companies, one of which is known to have used fifty Sherman under-cover operatives on one job, their chief work having been the establishment of a company union.

The Sherman salesmen boast that the company has done some \$25,000,000 worth of business in the last few years. Some of the Sherman clients that have helped to make up this total have been the Kirschbaum Clothing Co., Klotz Silk Co., Bell Telephone Co., Standard Roller Bearing Co., Philadelphia Silk Manufacturing Co., Saquoit Silk Mills—all of Philadelphia—and the American Sugar Refining Co., American Woolen Co., S. S. White Dental Co., Sperry Gyroscope Co., Illinois Steel Co. and the Steel and Tube Co. of America, besides a number of Paterson silk mills and certain companies represented in the New Bedford Cotton Manufacturers' Association. In their campaigns to defeat trade unionism they have all added to the profits of the Sherman company.

Sherman claims to be the "Largest Engineering Organization of its kind in the world" with a "million-dollar engineering staff." In one of its recent booklets, *439 Industrial Problems Analyzed*, this corporation describes its functions as: "1. Man Engineering, 2. Production Engineering, 3. The Sherman Method." The Sherman method is the under-cover operative method, the "invisible and unobtrusive service" as one of the Sherman business-getters describes it. Labor spies are placed in the factory and in the trade union and the "attitudes" of the workers are "molded constructively" until a perfect force of non-union, boss-worshiping strike-breakers is produced.

Sherman has made millions out of this invisible service and his "satisfied clients" cover the country. He himself writes for journals such as *Printers' Ink*, *Manufacturers' News*, *In-*

*dustrial Management, Manufacturers' Record* and *Textile World*, while his spat-wearing salesmen speak on "industrial counsel" before the Massachusetts Institute of Technology and the Case Business School. The labor spy practitioner thus worms his way into the personnel profession.

The Corporations Auxiliary Co. runs a close second to Sherman. Like its rival, it uses a number of names to disguise its employment department. It places operatives in clients' factories and issues confidential daily, weekly and monthly reports from its various offices throughout the country. Like Sherman, it can boast of speedy union liquidation where its remedies have been applied. In a confidential report to clients issued by its Buffalo office in 1926, it tells of an unnamed client in Pennsylvania who "advises of great help derived through our service. He operates a foundry on an open shop basis, but most of the molders are card men. A new production system was resisted by all employees. Several of our representatives (the spies, R. W. D.) were placed among the men and through their leadership and propaganda work the men came to like the system. . . . The Union (we are then told) is being gradually forgotten."

Another instance of the skill of this spy concern in disposing of trade unions is related in a report from the same office which tells us that "a 100 per cent organized plant of 425 employees operating with an agreement with a large International Union employed our service, using only two operatives. Eight months later it was an open shop. . . . Most forgot to say this was done without a strike or a lockout."

The appeal of the spy company to the prospective client is graphically stated: "If you could don overalls and go to some particular department of your plant to-morrow morning you would do it and learn all the whys and wherefores of some situation. You cannot do that. We can do it for you by assigning one of our skilled and capable representatives. Let us help you overcome that problem."

The Corporations Auxiliary Co. claims that it has been in the business for thirty years and that it never has less than 1,000 men on its operative lists. The service costs the client \$150 and up per month, depending on the number of spies employed.

Many employers' associations, as we have observed, run their own under-cover services—as an aid to their blacklists—and do not employ the outside “engineering corporations.” Such industrial associations as the National Clay Products Industries Association, for example, have their own spies or “staff representatives,” who keep a sharp lookout for union activities in the plants of the companies affiliated to the association. The National Metal Trades' Association also operates a secret service which “has enabled it to know most of the union plans before they could be put into operation.” By the use of this service “it keeps agitation out of the shops of its members.”<sup>1</sup>

Corporations using labor spies are frequently those that have attempted to cultivate a reputation for liberality in their “labor relations.” Many of them have introduced the personnel devices to be discussed later in this volume. Certain companies, for example, that have talked blithely of “industrial democracy” and “representation in industry” have at the same time stationed under-cover men among their employees for the purpose of forestalling trade unionism and keeping the company union “sold” to the workers. The spy agencies have even gone so far in some instances as to aid in the installation of company union plans. Among the many company union concerns known to have employed labor spies are the following railroads: Pennsylvania, New York, New Haven and Hartford, Long Island, Santa Fe, Boston and Maine, Atlantic Coast Line, Great Northern, Pittsburgh and Lake Erie, Delaware and Lackawanna, and the Union Pacific. Other company-unionized corporations infested with labor spies are the Inter-

<sup>1</sup> Bonnett: *op. cit.*, p. 110.



borough Rapid Transit Co., the Milwaukee Electric Railway and Light Co., the International Paper Co., Armour & Co., Sheffield Farms Co., Amoskeag Manufacturing Co., Western Union, Wheeling Steel Corporation, Bethlehem Steel Corporation, DuPont deNemours & Co., Phelps Dodge Corporation, Westinghouse Electric and Manufacturing Co., Pacific Mills, Washburn-Crosby Co., Forstmann & Huffmann Co., Pullman Co., Goodyear Tire & Rubber Co. and the various Standard Oil companies. Some of them have their own intra-plant spy systems. Others employ outside agencies for the purpose.

In Sidney Howard's *The Labor Spy*—the standard work on the subject—we have a thorough and entertaining study of the under-cover man in action, how he is trained and instructed, how he reports and just what he does to earn his extra compensation from the agency. Since this work was published, a number of strikes, such as the Passaic strike of 1926, have witnessed the employment of strike-breaking spies on a scale equal to that of any of the strikes of earlier periods. In a strike like the one at Passaic, where the leadership was in the hands of radicals, we saw the mill owners paying out thousands of dollars to so-called "radical experts" who cashed in on their familiarity with the figures and phrases of "left wing" movements. The Passaic bosses had a number of these renegades on their payroll for the purpose of discrediting the early leadership of the strike; but the effort was comparatively fruitless.

In more conservatively conducted strikes, where the under-cover professional strike-breakers cannot play the anti-"red" game, attempts are usually made to provoke violence. Strike-breakers and "American Plan workmen" are imported, union leaders are sometimes bribed or bought off, and thugs and gangsters are used to attack the workers. These tactics are of course used in strikes no matter what the leadership. But in conservatively directed A. F. of L. strikes the "radical experts" are missing. Hence cruder methods are employed.

Two of the most ruthless strike-breaking services using these methods are the Baldwin-Felts Detective Agency, operating chiefly against the mine workers in West Virginia, and the crew of "professionals" under the direction of "Black Jack" Jerome, who recently rallied his agents to break the carpenters' strike in San Francisco. William J. Burns has also had a hand in many labor struggles and employs a fair number of "industrials." Some of his most conspicuous under-cover operations have been against the International Molders' Union, the International Association of Machinists, and the western copper miners. His industrial service, he claims, discovers "which employees are disloyal and undesirable fomenters of unjustified dissatisfaction." It secures information "which makes it possible for an executive to weed out the dissatisfied."

A typical Burns operation is described in the *American Labor Year Book*, 1926:

"Labor espionage developments during 1925 included tricking a picket during a strike of automobile mechanics in Joliet, Ill., into accompanying a Burns operative to a struck garage where the Burns man lit a bomb and told the striker to run. Immediately the picket was set upon by four Burns operatives who shot him in the leg. A local policeman discovered the planted bomb and the first operative hiding in the shadows. The picket was released the next day, but the frame-up later appeared so transparent that warrants for the arrest of all five Burns men were issued. They had already left the city."

Incidents like this are not uncommon in American strikes and organizing campaigns. Labor espionage is the mother of violence, and altogether one of the most profitable professions patronized by the employers in their wars on the trade unions.<sup>2</sup>

<sup>2</sup> For further reading on labor spies, see S. Howard, *The Labor Spy*; J. E. Spielman, *The Stoolpigeon*; International Molders' Union of North America, *Transcript of Proceedings of Special Committee Appointed to Try James C. Cronin*; Interchurch World Movement, *Public Opinion and the Steel Strike of 1919*.

*Strike-Breaking*

There is probably not a single militant employers' association that has not at one time or another assisted in or directed the breaking of a strike, or the demoralization of a union-building campaign. Of course, many national employers' associations, such as the National Metal Trades' Association, the National Founders' Association, and the National Erectors' Association, have elaborate systems to combat strikes.

The local employers' association in its rules or by-laws usually promises general assistance to members involved in strikes. A booklet issued to members of the Employers' Association of Detroit describes this function:

"In the event of a strike, if examination warrants, the affected member or group is given all possible assistance. The situation is thoroughly investigated and those involved are advised as to the proper course of action. The moral support of other employers is secured, aid is given in rebuilding the working force, in providing plant protection, and in instituting legal proceedings should such steps be necessary."

"Rebuilding the working force" means the furnishing of strike-breakers, usually through the association's "free employment bureau." These employment bureaus are used by almost all local associations. As we have noted, the blacklist, when one is maintained, is usually the property of the employment office. No employers' association has ever operated successfully in strike-breaking work without some form of employment bureau through which non-union men could be directed to non-union jobs, or to jobs where employers were engaged in struggles with striking workers.

Describing the "free employment bureau" of the Associated Employers of Indianapolis, Bonnett says: "By the use of the bureau the employer rarely receives other than peaceable and qualified workmen," meaning, without doubt, workers who

are regarded as immune to the teachings of labor unionism. Concerning the National Metal Trades' Association, he writes: "It operates local employment bureaus in twenty-three different cities for the benefit of its members in keeping agitators and other undesirables out of the shops of its members."

A similar bureau is maintained by the Employing Printers' Association of America, which furnishes non-union workers to its own members, as well as to the members of the Inland Daily Press Association, an organization of 246 newspapers with a combined circulation of four million copies. According to the secretary of the latter organization, speaking in May, 1926, "This means that if you have a strike on your hands they'll fill your shop with printers." He further explained to his members at this meeting that "we're sitting pretty on the labor question as we have connections (presumably for the same purpose—the furnishing of strike-breakers) with the Open Shop League of Philadelphia," as well as with other employment bureaus in the printing industry of Indianapolis and other cities.

This Employing Printers' Association of America has defined itself as a "mutual labor insurance association" and boasts that it renders "prompt, substantial assistance and sustained support" in case of "labor-union interference." It boasts of the "overwhelming defeat" it brought upon the printing trades union in 1921 when, it claims, it converted 1,500 union shops into non-union shops so that "the commercial branch of the printing industry is to-day preponderantly independent," meaning non-union. It says it is "organized in a way that enables us to handle labor difficulties quickly and successfully."

Association employment bureaus usually attempt to make the public understand that they are giving "free Americans free employment in free America under fair conditions." If this is the case, it is fair to ask the associations why they so bitterly oppose the establishment of free public employment



bureaus. This would relieve them of the expense of operating their own bureaus. But it would not permit them to operate a blacklist, to choose non-union men, to intimidate trade unionists and above all to break strikes. Their blanket argument against the establishment of state employment bureaus is that the latter are "socialistic" in tendency. It may be noted, in this connection, that most of the private employment bureaus of the associations, such as the one established by the Employers' Association of Detroit, were created originally to furnish strike-breakers in a specific strike. Having proved their value in such an emergency, the bureaus are usually retained for regular service to open shop employers.

Strike insurance is another form of service offered by some employers' associations. It was used by the Dayton Employers' Association in its more militant days and many other organizations of employers have experimented with it. Special companies for this purpose have been organized at one time or another by persons identified with employers' associations. Sometimes the "strike benefit" for the employer will be paid out of a sort of "defense fund" which has been built up especially for the purpose of fighting strikes. The National Metal Trades' Association and other national industrial associations have established this practice very successfully.

The special service companies furnishing strike insurance to corporations have had their ups and downs. In 1921 the business received a setback when the Employers' Mutual Insurance and Service Company went on the financial rocks. But other companies, such as the American Employers, Incorporated, have done a similar business among corporations and employers' associations.

A somewhat novel strike-breaking method was employed by the Illinois Manufacturers' Association during a miners' strike in 1925. The secretary, John M. Glenn, announced that members of the manufacturers' association had begun a boy-

cott of clothing, food, fuel, and other necessities for the miners. Glenn made public a letter he had received from a member-firm which read, "I have held up every order that comes from a mining community and I will continue to hold up such orders so long as the strike is on." This method of literally starving out workers by a sort of boycott has also been used by the operators' associations in the West Virginia coal fields.

During a union campaign to organize the stage hands, musicians, operators, and bill posters of a certain theater in Kansas City, the Employers' Association of that city suggested an original plan to help the owner of the theater win the strike: "Would it not be proper," the association asked, in one of its circular letters to members, "for employers to assist and encourage their employees to attend this theater by furnishing them a few tickets each week?" The Employers' Association thus acted as agent for the theater owner in selling blocks of tickets to "employers and the public." The employers presumably distributed the tickets among their "American Plan workmen," who were only too willing to accept free admission to a cinema even though it meant assisting in a piece of strike-breaking.

Other local employers' associations have offered special rewards to workers who remained at work during a strike in the plant of a member-firm. This is usually done through the association's "strike committee." It is simply one of the many kinds of favors which local employers' associations have showered on the "American Plan workman"—the man who never goes on strike and who can always be counted on to help break a strike no matter what the grievance or the provocation involved.

### *The State as Strike-Breaker*

Our story of employer attacks on the unions would not be complete without some mention of the manifold governmental

agencies that have been used so frequently to break strikes and to destroy unions in the United States. The practice is so common it has almost ceased to excite comment. It is usually understood that when workers walk out on a strike—and often when they are merely attempting, without a strike, to organize a union to protect their interests—that the capitalist-controlled “public servants” will be employed against them. The politicians who have achieved office through loyalty to the corporations and the employers’ associations always “do their stuff” when called upon, on such occasions, by their owners and masters in industry. The striking worker finds arrayed against him a full front of functionaries in public office.

The town or city administration is usually under the domination of the company or companies against whom the workers are striking. It is a simple matter for them to set the whole force of local “law and order” against the workers. A servile mayor, at the command of the employers, proceeds to prevent meetings, arrest speakers, smash picket lines, and jail organizers. If the ordinances are insufficient, new ones are hastily passed by the local council. But with or without ordinances, the police are called upon to break the strike. It would require a separate volume to relate in any detail even the more recent activities of police against American strikers and union workers. Take, as an example, the strike of the New York paper box makers in 1926. Even before the strike had been called, the official organ of the National Paper Box Manufacturers was announcing that the bosses had “the full cooperation of the Police Department.” Subsequent events fully justified this prediction. The uniformed agents of the law laid it heavy on the heads of the strikers. One of them, while peacefully picketing, had his front teeth knocked out by a blow from a cop. A girl was struck by a chair in the hands of an officer. Even children sympathetic to the pickets were chased from the streets by police brandishing pistols. Pickets



swore to affidavits stating that they were dragged into shops and beaten up by bluecoats.

At about the same time the New York police, assisted by the city's Industrial Squad, were obeying the instructions of garment manufacturers in beating up the members of the International Ladies' Garment Workers' Union then on strike. They were also using similar methods against the subway motormen of the Interborough Rapid Transit Company who walked out in July, 1926. Strikers leaving their meeting hall were set upon by these official thugs and brutally slugged without the slightest provocation.

Still more inhuman were the operations of the police during the strike of Passaic woolen workers during the same year. The entire corrupt political machinery of most of the boroughs involved was at the disposal of the mill owners. Clubbings, illegal arrests, the use of tear gas and fire hose, sadistic third-degree methods, forced "confessions" and the usual cruelties were inflicted upon peaceful, underpaid textile workers and their families. Civil liberties were in abeyance.

These atrocities by local police are only repetitions of those from earlier chapters in American textile labor history, notably at Lawrence, Mass., in 1912 and 1919; at Paterson, N. J., in 1913, 1919, and 1924, and other textile centers where the workers have attempted to raise their standard of living by strikes and organization. Workers in other industries and scores of other cities and towns have fared no better at the hands of the local police.

The state police have been even more pitiless than the local police in their attacks on strikers and labor organizers. In our summary of the open shop drives of 1920-21 we have noted the emphasis laid on the necessity for the establishment of state constabularies as auxiliaries to the employers' offensive against the unions. Some twenty states now have these mounted troops. The legislation creating them has been backed by chambers of commerce, bankers' associations, and



organized business generally. It has been consistently fought by labor.

According to investigations made for the American Civil Liberties Union, these police are used invariably to break strikes, to incite to riot and violence, to evict strikers from their homes, and to resort to strongarm methods characteristic of "company gunmen." It is further established, by observers of these troopers, that they are "almost always used against the workers and in the interests of the employers; they come in response to the employer's call, frequently occupy company property, and often have their transportation paid by the companies."

A few instances where state police have resorted to evictions, thug terrorism, false arrests and other outrages against workmen and their families, are recorded—at Corinth, N. Y., in 1921, during a strike at the plant of the International Paper Co.; at Buffalo, during the street railway strike in 1922; in the West Virginia coal fields in 1921-22; in Colorado, during coal strikes; in dozens of Pennsylvania towns, during the steel strike of 1919, and in the coal strike of 1922. A number of excellent books describing the activities of these semi-military agents against labor have been written.<sup>3</sup>

The county sheriffs often carry out the orders of the corporations in quite as venal a manner as the local or state police. Any summary of corporation and employers' association tactics in breaking strikes and unions must mention these sheriffs and their deputies.

The writer happened to witness one particularly mad sheriff in action during the Passaic strike of 1926. The sheriff of Bergen County, N. J., a political tool of the Forstmann & Huffmann Co., hired several dozen deputies, armed them with rifles, and undertook to break up picket lines. As one of these

<sup>3</sup> John P. Guyer: *Pennsylvania's Cossacks*; James H. Maurer: *The American Cossack*. See also *Public Opinion and the Steel Strike of 1919*, pp. 117-179.

lines was moving peacefully past one of the Forstmann mills, the sheriff read the ancient "riot act," after which he screamed to his men: "Go to it, boys! Sweep 'em up!" His deputies, in complete violation of the law, proceeded immediately to knock down women, arrest strikers and strike sympathizers and otherwise carry out their conception of sheriff-made "martial law." The victims, at first denied bail, were later released under excessive bond by a servile local magistrate. But the legal action against them was finally dropped when the sheriff found he had no grounds whatsoever on which to base his charges. Following this picket line slaughter, other workers and interested citizens were arrested for merely attempting to address peaceful meetings held on private property in the vicinity. The sheriff banned all meetings and gatherings having to do with the strike, although no violence had been committed by the workers.

In the coal mining districts of Pennsylvania and West Virginia sheriffs and armies of deputies have likewise violated the laws and the Constitution in carrying out the instructions of the corporations, not only during strikes, but during peaceful periods when union organizers were going about their business of enlisting workers in the union. Investigators for Governor Pinchot of Pennsylvania discovered and published the fact that in one county alone—Fayette—the sheriff had appointed 6,180 deputies during the bituminous coal strike in 1922. The men were sent by the company to be deputized by the sheriff. The company paid the salary bills. Other sheriffs in Pennsylvania have issued proclamations during coal strikes preventing gatherings of more than three persons, thus effectually doing away with all freedom of assemblage.

West Virginia and Alabama sheriffs have been quite as cringing in their concern for the interests of the coal corporations. The Logan County Coal Operators' Association simply deposited a monthly check in the bank to the credit of the sheriff of that county. With it he paid the wages of

the deputies who helped the private gunmen and police run union organizers out of the county. Up to the summer of 1923 the association was paying at least \$7,000 a month for the services of these deputies who hounded the miners and their friends and assaulted, jailed, and in some cases murdered active union men. A part of this bloody story of deputy sheriffs is contained in the record of the United States Coal Commission, which reported to Congress in 1923-24.<sup>4</sup>

In addition to sheriffs and local and state police, we have witnessed the National Guard being used to break strikes in recent years. A strike of coal miners in Alabama in 1920-21 was the occasion for the employment of this military force against the workers. The Committee of Inquiry on Coal and Civil Liberties reporting to the United States Coal Commission in 1924, said:

"Our evidence shows that the National Guard, officially and by specific order of its Commanding General, prohibited and forbade all meetings, assemblies, and speeches of whatever sort, even down to the regular business meetings of union locals in their own lodge halls. The evidence is the official record of the National Guard itself. There is no dispute about the facts."

No martial law had been declared, no violence had been manifested upon the part of the workers. The troops simply took charge of the strike situation under the command of a certain General Robert E. Steiner. Every meeting was prohibited and the strike effectively broken by these means.

The use of various branches of the army and the military force of the United States to break strikes has been illustrated also during the railroad and mining strikes of 1922, and in the textile strike in New England in the same year, when National Guardsmen, several companies of Coast Artillery, and a Machine Gun Company were used against unarmed strikers in Rhode Island.

<sup>4</sup> See in this connection Winthrop D. Lane: *The Denial of Civil Liberties in the Coal Fields* and also his *Civil War in West Virginia*.



During the railroad strike, special gubernatorial proclamations were issued in several states giving instructions to the military authorities as to how best to break the strike. The whole military force of the country was held in reserve to move against that strike had it become more general. The Military Intelligence Division of the Army and a number of army officials stationed in various parts of the country censored speeches, prevented meetings, and otherwise abrogated the civil liberties of the strikers.<sup>5</sup>

In the breaking of the Alabama coal strike, as also in the textile strike, state governors played an active rôle against the workers. In Alabama the governor not only ordered out the Guard, but he acted as personal arbitrator for the strike, and settled all the points in favor of the coal corporations.

These anti-union state governors elected by the business interests have faithfully served the purposes of those who put them in office. Not only do they veto bills to protect or strengthen labor unions, but, like Governor Sproul of Pennsylvania in the coal strike of 1922, they issue orders which, in effect, forbid all meetings of strikers. These anti-strike proclamations of the governors are usually carried out by the local sheriff, the constables, the state police, and other "peace officers."

Not only state but Federal executive officials have shown complete devotion to the American business class in its war on organized labor. The last two Presidents, Harding and Coolidge, may be described as nothing more than the "business agents" of the corporate interests. The latter acquired his first national glory as a strike-breaker, and the other energetically helped his Attorney General, Harry M. Daugherty, to break strikes of coal miners and railroad workers. It is natural that these White House residents should have served

<sup>5</sup> For a documented account of these maneuvers and other historic instances of the use of the military against strikers, see Jay Lovestone: *The Government Strike-breaker*, Chapter IX.



so loyally the interests of Big Business. For never before in the history of this country has Big Business maintained such a firm hold on the Federal government as at present. These presidential servants of the business dictatorship refuse to receive delegations of striking textile workers or to do anything to assist the coal miners or any other group of unemployed or striking workers. At the same time they carry out every order and request of the corporations.

Not only in direct deeds against the unions but in more general ways these two presidents have helped business to put labor and the general public in the stocks. They have emasculated various Federal commissions in such a way that nothing is done to curb or regulate the powerful corporate interests that now run the American Empire.

Indeed, not one act of the Federal administration in the last eight years can be described as favorable to the fundamental interests of the trade unions. On the contrary, the tendency has been all in the other direction. Business government has its way at present, and has really supplanted the old democratic political forms which are still maintained to placate the public and the working class. The politicians are permitted to debate, the legislatures to meet, presidents to deliver long platitudinous addresses. But the real power is in the hands of the capitalist class. And above all else, it owns the man in the White House and uses him against the interests of the organized workers.

Of all the strike-breaking agencies of the state, none is more thoroughgoing than the courts.<sup>6</sup> There is room here for but a brief note concerning the judiciary's attacks on labor—attacks that have rendered the economic weapons of the unions almost valueless. The trade unions charge among other things that the judges have

<sup>6</sup> In connection with this section see A. R. Ellingwood and W. Coombs: *The Government and Labor*; Leon Whipple: *The Story of Civil Liberty in the United States*.

1. Declared the union shop illegal in public utilities, as in the case of the Cleveland Railway Co. in 1925, Ohio Supreme Court.

2. Applied the anti-trust laws to labor unions in spite of the special but vague provisions of the Clayton Act of 1914. In the Duplex Printing Press Co. decision, the right of a union to establish a general combination against an employer by a sympathetic strike and secondary boycott was wiped out. (*Duplex Printing Press Co. v. Deering*, 254 U. S. 443, 1921.) Later declared that strikes against handling unfair, non-union building material marketed in interstate commerce are illegal and to be enjoined, on the ground that they violate the anti-trust laws.<sup>7</sup>

3. Declared unions may be sued as corporate bodies for the acts of their agents, and their funds held for damages. This makes it quite possible for a corporation through an *agent provocateur* to cause some property damage during a strike and thus tie up the funds of the union in resulting legal action. (*The United Mine Workers of America v. Coronado Coal Co.*, 259 U. S. 344, 1922.)

4. Declared child labor and other labor-advocated laws unconstitutional, thereby virtually ruling that congress has no power to pass remedial social legislation of any kind.

5. Declared unconstitutional state laws based on the Clayton Act and limiting the use of injunctions. (*Truax v. Corrigan*, 257 U. S. 312, 1921.)

6. Virtually abolished the right of workers to picket, no matter how peaceably; and authorized lower courts to regulate the conduct of strikes and the number of pickets permitted. (*American Steel Foundries v. Tri-City Central Trades Council*, 257 U. S. 184.)

### INJUNCTIONS

The foregoing acts of judicial usurpation are tied up closely with the most menacing weapon possessed by the American equity courts—the injunction. These injunctions have virtually made the unions illegal in certain instances and have turned the judges into legislative dictators. They deprive

<sup>7</sup> Bedford Cut Stone Co. Case. U. S. Supreme Court, April 11, 1927.

the workers of a trial by jury and interfere with every phase of strikes and organizing campaigns.

The most far-reaching injunctions have not only placed peaceful picketing under the ban of the law, but also meetings, speeches, writings, the payment of strike benefits to union members, telephone conversations, visiting and talking with strike-breakers, and other activities necessary to the proper conduct of a strike or an organization drive. These injunctions reveal the judges as practically the prosecutors and special pleaders for the employers.

Typical of the sort of injunction that is likely to be used increasingly in America was the one handed down by Judge Anderson in the Indiana Federal Court at the instance of Attorney General Harry M. Daugherty. It enjoined the officials of the United Mine Workers of America from taking any action in a strike voted by that organization in 1919.

Another and still more sweeping injunction was granted by Judge Wilkerson, who at the request of Secretary Daugherty enjoined the Federated Railroad Shop Crafts in the strike of 1922. This injunction made any pro-strike expression whatsoever illegal and was one of the most drastic and reactionary judicial edicts ever issued against a large body of striking workers in America.<sup>8</sup>

For violations of this anti-union ukase, hundreds of workers were arrested, fined, or thrown into jail for the sole crime of carrying on a strike, and thus "conspiring" against the profits of the railroad companies.

The precedents for the most unconstitutional and liberty-destroying injunctions were well laid down in this Daugherty injunction against the railroad workers. It was one of the most powerful and decisive blows ever struck against the labor unions in this country. It showed clearly how the courts can be used as effective strike-breaking machines.

<sup>8</sup> S. Blum: *Labor Economics*, p. 104.

*Individual Contracts*

Many employers' associations, such as the League for Industrial Rights and the American Plan Association, strongly recommend the "individual contract" as one means to prevent the unionization of workers. This form of contract between the company and the individual worker definitely excludes trade union collective bargaining. The worker agrees that he will not join a union or even talk unionism with his fellow-workers and that violation of this agreement will constitute grounds for his discharge from the service of the company.

The famous *Hitchman* decision of the U. S. Supreme Court was based upon the individual contract, and upheld a sweeping injunction which prohibited the union from attempting to organize—even by the most peaceful persuasion—workers bound by these contracts. (*Hitchman Coal and Coke Co. v. Mitchell*, 245 U. S. 229.) Commenting on the value of this decision to the employers, the League for Industrial Rights pointed out that

"Every step taken by a union or any outsider to accomplish the unlawful purpose of inducing a breach of contract is unlawful, although under other circumstances the same step might be innocent and proper. Threats of strikes, persuasion of employees, peaceful picketing, and payment of strike benefits, though frequently held lawful, become illegal if they are steps to induce the employee to quit work or an employer to operate a closed shop in violation of agreement."

The coal miners working for open shop companies have been particularly cursed with the "yellow dog" contract as they call it. In fact, this form of contract has been one of the most effective weapons used against the United Mine Workers of America. These contracts have one clear purpose—to prevent workers from joining a trade union.

The following is from a typical contract used by the Hudson Coal Company in its West Virginia mines:



"I, ———, am employed by and work for the Hudson Coal Co. at the above place with the express understanding that I am not a member of the United Mine Workers of America . . . nor any other mine labor organization openly or secretly affiliated with said organization, and will not become a member thereof while I am an employee of the Hudson Coal Co. . . . I agree that while I am in the employment of the Hudson Coal Co. I will not make any effort or be a party to any attempt or effort among its employees to bring about the unionizing of its mines against the wishes of that company.

I also agree that if at any time while I am employed by the Hudson Coal Co. I want to become connected with any Union or organization above mentioned, I agree to withdraw from the employment and premises of said company before becoming connected with such union or organization."

With such agreements in force, the company is able not only to rid its properties of all union workers, but by securing injunctions, based upon these agreements, it can prevent the efforts of union organizers to get in touch with the workers in the employ of the company. And should they attempt to do so, it can not only have them cited for contempt but it can also bring damage suits against the miners' union.

These contracts are also used extensively in the growing non-union coal fields of Pennsylvania, Kentucky, Alabama, and elsewhere. The United States Coal Commission, in its report on Labor Relations in the Bituminous Industry, pointed out that these contracts are closely tied up with the suppression of civil liberties. It says that such an agreement "is no more justifiable than any other form of contract which debars the individual from employment solely because of membership or non-membership in any organization." The Commission described it as "not a free-will contract" and recommended that its use be abolished. So far as we know, the mine operators have in no wise heeded these recommendations and the "yellow dogs" remain just as popular and numerous as ever among the operators in the non-union coal fields.

In other industries, the use of these contracts has been no

less widespread. Hearings before the Massachusetts and Ohio legislatures on bills introduced by organized labor to abolish this menace to the labor movement, have revealed many employers in the metal, upholstery, clothing, textile, and shoe industries making use of this weapon, and in some states even public school teachers are forced to sign them.

Some railroads have used them as aids to a company union installation. For example, the Chicago, Rock Island and Pacific Railway Co., in herding its shop crafts workers into a company union in 1923, compelled each worker to agree "that during the entire period of my employment with the Rock Island Lines I will neither directly nor indirectly become a member of or in any manner associate with any other trade union, association or organization." To join any regular union was "to be considered by the hiring officer as my resignation from the employ of the railroad company."

Through a similar company union membership agreement, new employees on the Union Pacific Railway in 1922 agreed,

"that in event I shall become a member during period of my employment with this company of any labor organization or association other than 'The Shop Employees' Association, Union Pacific System' . . . that this application for employment shall be deemed my resignation."

Under this contract no man can pick up his tools to work without first signing up as a member of the company union and at the same time signing away his right to belong to a bona fide labor union.

The rapid transit companies in New York City have some of the most sweeping and restrictive of these agreements in force as a buttress to their company unions. The contract prohibits the worker from joining the A. F. of L. organization. At the same time it binds him to membership in the company "brotherhood." In the strike on the Interborough Rapid Transit Co. lines in the summer of 1926, these agreements served as the basis for legal action and damage suits filed

against the strike leaders, and also as a basis for subsequent injunctions to prevent the regular A. F. of L. union from attempting to enlist the workers even in the peaceful period following the strike.

The contracts suggested in recent years by such militant employers' organizations as the Associated Employers of Indianapolis are more shrewdly drawn than some of those we have mentioned, but their effect is the same. The Indianapolis association has long advocated what it calls an "American Plan Employee Working Contract" in which the employer "agrees that the Employee during his period of service with the Employer, may belong to any organization, society or labor union of which he chooses to be a member." This sounds as fair as the usual "no discrimination" clauses in company union constitutions. The catch appears in the next phrase: "but in so doing the Employee agrees that he will not have any negotiations with officers, agents or members of any such organization, society or labor union in relation to the conditions of the Employee's present employment under the terms and conditions of this contract." In other words, the worker may "belong" to a union but should he try to use his union for the purposes for which unions are built, he will thereby violate his contract with the company and find himself automatically sacked.

Many companies instead of providing a separate contract to be signed by each individual worker, post a blanket agreement on the factory bulletin board. The Discie Mill of La Grange, Ga., for example, posted the following notice:

"We believe it to be the best interest of this mill and of our employees not to employ union labor. For this reason we will continue our present policy and will not employ members of labor unions.

Our employees are employed on the condition that they are not members of labor unions and will not become members.

All our employees continuing in our employment do so with



the agreement, between us and them that they are not members of labor unions and that they will not become members while in our employ."

Representative American concerns that have used the individual contract in recent years as a tool in the struggle against the labor unions are Crowell Publishing Company (publishers of *Woman's Home Companion*, *the American Magazine*, and *Collier's Weekly*), Indianapolis Street Railway Company, Imperial Smokeless Coal Co. of West Virginia, Consolidation Coal Co., United Shoe Machinery Corporation, Hitchman Coal and Coke Co., Vail-Ballou Press, Inc., of Binghamton, N. Y., Third Ave. Railway Co. of New York, Smith & Wesson Co., St. Louis-San Francisco Railway Co., Kansas City Southern Railway, Chicago Belting Co., Federal Glass Co., Elmwood Casting Co., and the Nashville Railway & Light Co.

The same sort of economic pressure that induces the workers to join company unions, benefit associations, and similar corporation-lawyer-devised schemes, forces the worker to submit to the "yellow dog." Here is a story from the mouth of a mine worker. It could be repeated all over the open shop mining districts of America:

"I know of a fellow miner employed in a mine near Hazard, Kentucky, . . . who refused to sign the 'yellow-dog contract' which was being introduced in Eastern Kentucky for the first time and which is to-day prevalent throughout the entire region. This man, the day after being discharged, made a trip to Hazard to try to find a house to move into. He knew of course that he was liable to be evicted at any time from the house where he was living. While he was away, the mine superintendent, assisted by some deputies . . . went out to the man's home and piled all his household goods and his family outside. Not only that—he gave orders to the neighbors of this victimized family that if any of them took them in, even for one night or one hour, they could expect the same kind of treatment. There was some snow on the ground, and the wife was ill, she being at that time the mother of a baby only a few days old. . . . When the husband returned and found his family in such a helpless state, of course



there was no choice for him other than to sign the humiliating 'yellow-dog' pledge."<sup>9</sup>

Against such pressure the individual worker is utterly helpless. The labor unions are of course doing something to fight the "yellow dog" contract and in recent years have attempted to introduce legislation in several state legislatures making the contract illegal. *Organized Labor* of San Francisco declares, "Of all the attacks against organized labor, the 'yellow dog' takes first rank in meanness. When this unfairness is understood every legislature will support labor's claim that the 'yellow dog' is against public policy."

But so far no legislature has come to this understanding. The employing class, and its courts, know they have in the individual contract a wonderful labor-enslaving device. They will certainly not give it up without a desperate resistance.

<sup>9</sup> *Industrial Pioneer*, May, 1924, p. 23.

### III. BREAD AND CIRCUS

#### CHAPTER VI

#### THE COMPANY UNION

FIRST among the "newer tactics" used against the trade unions stand the company unions known variously as "employee representation plans," "works councils," "conference boards," "plant committees," and so on.

The company union is most important because it comes so close to the appearance of being a "substitute" for the real thing. Hence, it is decidedly more threatening to the real unions than some of the other devices to be discussed later in this section. Since the first resolution against the company union was introduced in the 1919 convention of the A. F. of L., it has been the subject of much discussion. Trade union and employer delegations from other countries visiting our great mass production plants have inquired what relations exist between management and the workers, what sort of agreements are made, what kind of collective bargaining is used. In scores of our big plants—in steel, electrical goods, rubber, public utilities and textiles, their question has been answered by leading them to the office of the "labor manager" and introducing them to the members of the "works joint committee." This committee is usually made up of representatives of the working force and representatives of the management. They talk to the visitors telling them of the various welfare enterprises instituted through the company union. The visitor usually goes away with the notion that in prosperous American industry, all is well with "labor relations" because the two parties have come together and are

jointly working out their problems, thinking in the same terms, their interests completely identical.

This is the impression usually received by one making a cursory survey of any of our large open shop plants which have "representation plans" in operation. It is the impression that the publicity departments like to give—that of a happy "brotherhood" coöperating with management, not disturbed by "outside" union agitators, every worker thoroughly contented. A closer examination of some of the company union systems now in operation may serve to challenge this highly colored and propagandized impression.

Employee representation of the non-labor union type, summed up in the phrase, company union, came upon the American scene during the days of the World War. Prior to 1917 not more than a dozen plants of any importance had introduced it, chief among them being the Colorado Fuel & Iron Co., controlled by the Rockefeller interests. It was established by this company to secure "labor peace" after the Ludlow massacre.

During 1918 and 1919, largely under the pressure and persuasion of the National War Labor Board and the Shipbuilding Labor Adjustment Board, many committees were introduced in factories engaged in the production of war materials. Under these shop committee systems, the labor *status quo* was to be maintained in the plants, the trade union officials—all ardent pro-war patriots—agreeing that they would not be used in any way to assist the trade unions. However, the "recognition" obtained through these committees gave some of the unions a certain security and recognition they had not had before. The committees were, to be sure, not union committees, but union men were promised "no discrimination," and probably at that time little occurred, for the cases could be appealed to the various government boards on which labor had at least a formal representation.

When the war ended, some of these committees were dropped

by the employers, but many of them were retained by astute managers who saw in them a means of pushing the real union out of the plant, at the same time continuing to inform the world that the company maintained "collective bargaining." Other employers who had not been asked to institute them during the war, noting the success in other concerns, also introduced them. So that in 1919, according to the National Industrial Conference Board, there were some 225 "works' councils," with nearly 400,000 workers involved. Since then, the number has risen steadily until to-day there are over 900 councils with about 1,400,000 workers involved. As some of the companies have more than one council, the number of companies involved is only about 430, but this is an increase of nearly 300 over the number using company unions in 1919.

The growth of company unions in industrial concerns has been primarily in the metal trades, largely in steel plants and in electrical goods manufacturing establishments. However, the largest coverage is in railroads and public utility enterprises. Since the strike of the shop crafts' workers in 1922, the growth in railroad company unions has been most alarming to the trade union movement. Although the leaders in the regular shop craft unions begin to note some falling off among the rail company plants, still the great gains made since 1922 by company committees and associations on such roads as the Pennsylvania, Great Northern, Santa Fe, Union Pacific, and New York, New Haven and Hartford, cannot be ignored. Not only were the strictly shop craft workers hit, but also maintenance of way men, telegraphers, clerks, porters, and other crafts. The powerful Big Four train service Brotherhoods, of course, held out against the company union offensive; but not without breaking the railroad solidarity that existed during the war and post-war days. In fact, the Big Four have been charged by some of the shop craft leaders with having refused to lift a finger to help them during their struggles with company unions. Indeed, the Brotherhoods'



representatives on such roads as the Pennsylvania, actually "went along" with the company, helping it to introduce and "sell" the plan to the less strongly organized employees.

Other industries largely represented in the company union columns are street railways, food products, rubber, textiles, printing and lumber. However, the big bulk of the coverage, as we have noted, is in the larger concerns in the railroad, public utility, and metal trades establishments employing over 15,000 workers each. Out of the 1,400,000 odd workers now included in American company unions some 850,000 work for companies with more than 15,000 on their payroll. It is also a fact that since company unions were first introduced in this country, the number of smaller firms using them has fallen off, while a steady increase is to be noted among the corporations employing over 15,000 or between 10,000 and 15,000 workers. The company union method of "labor management" has made its heaviest gains in large trustified industries.

### *Types of Company Unions*

There is no one patented brand of company union that can be introduced in any plant and made to work. There are an infinite number of sorts of plans depending upon the character of the industry, the number and kinds of workers involved, as well as the disposition of management and how far it thinks it wants to go in giving the workers a "say." It may even depend upon the installment expert or "service bureau" to whom the management has gone for advice before establishing a plan.

Most books and pamphlets dealing with company unions start out by printing the constitution or by-laws of a typical plan, comparing it with other plans to see how they differ on the right to vote in company union elections, the qualifications of "representatives" under the plan, the nature and extent of the voting group, the provisions covering nominations and

elections of "representatives," the kinds of subcommittees appointed, the organization of the "joint bargaining" council, "the line of appeal" for grievances, the provisions for arbitration, if any, the regulations covering discrimination and discharge, and a great many other details of structure and the procedure of administration. It is impossible in this chapter to make such detailed comparisons between the wide variety of company union plans now on the market. But we may describe briefly certain fairly representative plans and sketch the trade union outlook on the whole company union issue.

Before doing this, however, it may be well to point out that certain students of company unions have divided them into three types of plans—the committee type, the association type, and the industrial democracy type. The last may be dismissed from the discussion on the ground that it is receding in importance and seems doomed to complete extinction. This is the once-common House, Senate, and Cabinet type modeled on the Federal government of the United States, and fathered by John Leitch, a magnetic man-to-man "happy relations" peddler who did a very good business in the early stages of company unionism. The association plan is that commonly used on the railroads—the Pennsylvania, however, with its Committee System being a notable exception—and in some public utilities. It provides for a regular "card" membership, the establishment of dues, locals, lodges, and rituals in much the same style as that of the bona fide rail unions. Although under the thumb of the company management, these associations carry a semblance of "independence" that is not even claimed by the committee type of plan. This committee type, however, is the more common form. It usually consists of a number of "representatives" or "delegates" elected from among the employees, sitting down in periodical joint conference with an equal number of representatives appointed by management. Bipartite subcommittees and special committees are in turn appointed by the head of this joint committee—prac-

tically always a company executive. These subcommittees study special subjects and bring in reports to the larger joint committee whose vote, in turn, determines such matters as are permitted to come before it, after management, the company superintendent, or the company board of directors has given its O. K. In some cases, a form of arbitration is provided when the joint committee arrives at a tie vote.

Let us examine specimens of the two chief types of plans—the association and the committee form.

#### THE WESTERN UNION TELEGRAPH COMPANY

In considering the association type of company union maintained by the Western Union Telegraph Co., certain preliminary facts should be noted. Like ninety-nine per cent of the concerns using employee representation, it does *not* permit any trade union to represent its employees under the plan. In fact, when the "Association Western Union Employees" was organized in 1918, the agreement made with the company specially provided among other things "that all employees who have been released from the service since January 1st because of undesirable affiliations will be reemployed upon their application and submission of evidence that they have joined the Association Western Union Employees and relinquished the undesirable outside affiliation."

The meaning of this provision becomes clear when one is told that 140 workers had been fired from their jobs when, under the encouragement of the War Labor Board itself, they had joined the Commercial Telegraphers Union. These workers were only allowed to recover their jobs when they promised, first, to join the company union, and second, to drop their membership in the regular A. F. of L. organization.

With this anti-trade union attitude in mind—and it is by no means exceptional or extreme among companies employing the fine phrases of "employee representation"—we may pro-



ceed to inspect the Association Western Union Employees.

Its president, a former clerk in the company's San Francisco office, is a full-time employee of the association with offices in Chicago. He declares that the association is "to encourage coöperation and thrift" and "to establish a proper relationship between employer and employee." A worker by the name of Van D. Farrand in a "prize essay" tells why he is a member of this company union. It "provides for me an opportunity to coöperate with the Company." It also "affords a common ground upon which the wage-earner (debarred by his "yellow-dog" contract from joining the A. F. of L. R. W. D.) and the wage-payer can safely unite to form a community of interest in a great industrial problem." Farrand further informs us in the Blue Book, issued by the association, that the strike is "a relic of barbarism" and that the members of the association assume that "the Company is governed by honesty of purpose in its dealings with them." So the employees in this "family association," after being denied the right to join a regular trade union, have considerably "resolved to remove force as the means of securing results." These apparent Tolstoyans of industry hope thereby to "create that harmony which should exist for the mutual benefit of all."

The machinery for attaining this high harmony of non-resistance provides for a system of local assemblies, division groups, and a general assembly, as well as a board of association directors composed of vice-presidents heading divisions, together with the general officers of the association. To be elected to the general assembly, the worker must come up through lower offices, must be over twenty-five years of age, two years or more in the company service, and one year in the association. It should be noted in this connection that the company in hiring employees, prefers to pick those under twenty-one years of age, although the advertisements invite workers from twenty-one to twenty-five.



With all this elaborate machinery, what can the association do? It can go through the motions of collective bargaining, the company knowing, of course, that the association has neither economic nor political power, and no desire to do anything but conform to the mother company's wishes. If by any chance disputes—such as they are—are not settled in the various joint assemblies, the association directors, "company men" in the full meaning of the term, choose an arbiter, the company, another, and these two choose the third who has the final and decisive vote.

The association claims to have done a great deal for its 30,000 members through "negotiations" with the company. Everything from the company's profit-sharing scheme to vacation periods are credited to the association. A careful reading of the association's monthly organ, *The Telegraph World*, leads one to the conclusion that it is little better than the average company-subsidized "employee magazine" to be discussed later in this volume. Remembering that each member pays fifty cents a month, it is clear that the association can provide a number of diversions for the workers that will keep them isolated from the trade union movement and fairly well satisfied with their pseudo-union organization.

#### MEAT PACKER COUNCILS

Among the most ardent advocates of the company union are four great meat-packing companies, all of them—Swift, Armour, Wilson, and Cudahy—having had company unions of the committee type in their plants since 1920-21. Perhaps the most articulate of the four has been Armour and Company, with Swift a close second. A representative of the Armour Personnel Department appeared at a conference on "human relations" held by some Christian people in the summer of 1926. His address glorified the Armour "conference board plan" and so impressed a Passaic minister who was present

that he had it published in a paper in his home town in order to influence the textile workers then on strike. In his address, the Armour man had told how the conference board was found to iron out all the petty grievances of the workers so that "nearly every plant superintendent agrees that Employee Representation has made supervision easier." Besides, the plan, having "solved" the wage problem, gave increasingly more time to "constructive effort," and permitted the "rule of reason" to have full sway.

Like other professional admirers and beneficiaries of company union schemes, the Armour personnel man credited it with all the other "services" which the big meat company had vouchsafed to grant to its employees—stock ownership plans, group and health insurance, vacations with pay, and accident prevention programs. All were described as a direct result of the plan. Of course any of them could have been given the workers—and for very sound profit motives—without the interposition of the plan. But it makes the plan profoundly more attractive to attribute all collateral enterprises of management as "benefits" arising from employee representation.

After one has waded through the froth and sentimentality of the meat-packer personnel administrators, defending their plans, one comes back to the facts—which are briefly as follows: The councils and conference boards were installed in the packing houses for the purpose of engineering wage cuts and driving the trade unions out of the plants. In fact, after the plan had been introduced at the Armour plant, a wage cut was put over in 1921. When the trade union workers struck against this betrayal, the "employee representatives" served as strike-breakers doing everything in their power to get the workers back on the job and to accept the wage cut. This was finally accomplished after two months. The union men were blacklisted.

These packer plans have, as we have indicated, the usual intent—to help the worker to "learn the point of view of the

employer" and "to have an interest in the business." But control over the schemes, and the decisions of the committees, lies wholly in the hands of management. Under the Swift plan, the final veto power rests with the president of the company. The Armour conference board also permits workers who are dissatisfied with its decisions to appeal to the general superintendent of the works. From his verdict, there is no appeal.

Further facts—and they are characteristic of most company union plans of the committee type—should be noted. The general superintendent of the works presides over all meetings of Armour's General Plant Conference, the highest parliament under the plan. And the strategic position of secretary of the conference board is occupied by a salaried company official who operates from the "front office" and is continually under the thumb of the superintendent.

And when wage questions are to be considered, in that "constructive" manner so typical of company unions, a committee is appointed by management (presiding, as we have noted, over the conference board) and this committee, composed partly of workers, is completely at the mercy of the company statisticians and job analyzers. They eventually bring in a report. Sometimes, when management wants a wage cut—the committee recommends a revision downward. Less frequently, when management thinks it can afford a slight increase, or fears trade union threats if this is not affected, the recommendation may be for revision upward.

The net result of such a plan, for example at the Swift plant, is that the average male worker is making twenty-seven dollars a week on a fifty-four-hour schedule. The profits of the company in 1925 amounted to eighteen per cent on the real investment. In reporting on the satisfactory profits, Swift attributed them to the "devotion" of the employees stimulated by the plan of employee representation. And President White of the Armour Company concludes: "Employee ownership,

combined with our conference board of employees and employers, has disposed of strikes.”<sup>1</sup>

### *Management's Objectives*

As one surveys the workings of company unions, one becomes conscious of several fairly definite objectives in the minds of those who introduce them. These are, of course, not identical for every management, neither do they all reside at the same time in the heads of the corporation personnel directors. Some of the expressed managerial objectives that have been catalogued by painstaking students of employee representation in their books, prepared chiefly for the service of the employers, are the following: “to provide a double track channel of communication for exchange of information, opinions and desires” between corporation managers and employees; to adjust “individual and group misunderstandings, complaints and grievances”; to provide “procedure for collective negotiations (unhampered by external influences or irrelevant issues making for fruitless controversy) regarding wages, hours and other terms of the employment contract” (the phrase in parenthesis refers to the trade unions and the “irrelevant issues” are the issues of trade union standards and trade union conditions. R. W. D.), and finally, “education of employees.” These quotations are from E. R. Burton’s *Employee Representation*, the latest and most authoritative book on the subject. They all sound innocent enough.

But in the light of the foregoing examination of company unions in action, and of the experience of scores of other companies,<sup>2</sup> we must supplement these hopes and fair words with some observations of our own. In our opinion, there may be some employers who subscribe to and attempt to practice the

<sup>1</sup> *Magazine of Wall Street*, December 20, 1926, p. 262.

<sup>2</sup> For further descriptions of company unions in dozens of industries, see W. J. Lauck: *Political and Industrial Democracy*, and R. W. Dunn: *Company Unions*.



"service ideals" formulated by Burton. But the large majority have other underlying, unexpressed, and possibly unconscious motives, some of which are the following:

1. They want to offset the trade unions. If they have been dealing with them in the past, they want to get rid of the necessity of having to deal with them in the future. If they have only the possible threat of the trade unions at their doors, they want to build up their defenses against the eventuality of having to "recognize" them.

2. They want to put their workers in a position where they will have the semblance of collective dealing without the reality, where they will appear to be "participating in management" but actually be as servile as under the most outright open-shop relations.

3. They want to preserve at all costs the so-called "loyalty" of the worker toward the corporation. Tying the worker closer to the personnel department by means of a "plan" is one of the surest methods of maintaining this "loyalty" which in reality amounts to little more than a blind subservience to the boss.

4. They want something immediate, such as a wage reduction, the acceptance of a speed-up plan, or the abolition of some "restrictive" rule. Although the company has the economic power to do this without the workers' sanction or consent, the most "enlightened" employers realize that to have a long discussion of the problem, thus giving the workers a sense of legislating about the matter, may help to "put over" the company proposition. The plan merely gives a tinge of democracy to the autocratic dictatorship of management.

### *Organized Labor and Company Unions*

Realizing that the objectives of management are less seemly than they are depicted, the trade union movement has searched further into the procedure of company unions. They have watched them in operation in the great non-union plants. They have seen them introduced to head off a union or to

provide a "medium of contact" after the trade union contact has been banished from the works. Certain conclusions have been reached by trade union students and by others who have examined company union systems with more sympathy and impartiality. Briefly, they may be summarized:

1. The company union possesses no economic strength, no real bargaining power. Having surrendered its power to strike, it is not in the proper sense a "union" at all. It is merely the workers of a given plant "organized" by the employer for his own purposes.

2. Collateral with this, is the fact that as a rule the committee form of company union has no treasury, no financial strength with which to take any action. The association type, as on the railroads, may possess a treasury, but it is never employed to back the economic demands of the workers, assuming the company has gone so far as to permit them to formulate such demands. "Benefits" and "social activities" absorb what money may be collected in the treasury of such an emasculated association.

3. By and large, the company unions, especially those of the committee type, concern themselves with matters of little importance—petty grievances, picnics, and the prevention of waste. The really vital matters fall without their sphere of "consultation." For example, in the Standard Oil Company of New Jersey, the joint councils are not permitted to discuss questions of general company policy, even those relating to layoffs, discharges, promotions, job analysis, etc. Similar limitations exist under practically every plan known to this writer.

4. And even where the workers are permitted by the company to "discuss" a wider variety of matters in their joint committees, the right finally to decide these matters is reserved to management. Under the most typical plans, after the workers have discussed the question for hours, and even after they have taken a solemn vote on the issue under discussion, the matter goes to the works manager, superintendent, or even

the company board of directors, for final decision. The worker delegates' voice or vote is thus purely advisory or consultatory. This "newer note" in industry is not exactly "industrial democracy." It is not even limited monarchy.

5. Under most company unions, especially of the committee type, no separate meetings of the employee representatives are permitted. Such meetings would be a violation of the "cardinal principles" of the plan, to use the phrase of the Shell Oil Company of California. It is considered a dangerous tendency toward trade unionism to permit the elected representatives to meet apart from the representatives of management, or in meetings of any kind not dominated by management. It goes without saying that where such meetings of elected representatives are prohibited, so also are meetings of the rank and file of the workers. Mass meetings are simply out of the question—unless it be a gathering on company property, such as Standard Oil has been known to call, to back a "community fund" or to put over a sale of stock to its employees.

6. Under company union régimes, with a few exceptions, the workers are not permitted to have experts, statisticians, lawyers, and other advisers to help them build up their case for higher wages, shorter hours, more healthful conditions of work. At the same time, the management reserves for itself the right to hire personnel managers and professional bargainers to advise with its representatives in the joint councils, and to work out the programs which these representatives are expected to "sell" to the worker representatives.

7. With a very few exceptions, the company unions are confined to one company and often to one plant of one company. The purpose seems to be to keep workers apart from their brothers in other companies, and even from those who work in other plants of the same company. Even the much-advertised General Electric Co. plan at West Lynn is characterized by this isolationist policy. The management dis-



tinctly does not encourage "fraternization" with the workers in its other plants. That smacks of the old trade union practices and might suggest "wrong ideas" to the workers. While encouraging individualism and separatism among its workers, the corporation—which is an organization of capital itself—enters into all sorts of combinations and mergers with other concerns, and joins industrial and trade associations such as we have described in an earlier chapter. The same right that it denies to its employees it freely exercises itself.

8. This policy of "heads I win, tails you lose," may be further appreciated when one realizes that the broad factors affecting wages, hours, and basic conditions apply to the industry as a whole, and are not determined within the walls of any one plant. The worker who is prevented from joining with his fellow workers throughout an entire industry, and from entering into collective bargaining through nation-wide unions, is actually denied every vestige of economic suffrage, no matter in what glowing words the personnel manager may describe the system of plant segregation existing under company unions.

9. Along with this goes the further and increasingly important fact that workers in company union territory have no collective political power whatsoever, nor can they fight for labor and social legislation, which, under the present economic order, is one of the important functions of the trade unions. On the contrary, the company unions have been used by corporations to fight against protective legislation, advocated and introduced in state legislatures by the trade union movement. The company puppets of the Pennsylvania Railroad employee representation plan have been conspicuous in this rôle. The company unions have also been used by the employers in securing injunctions against the trade unions, some of their "individual contracts" with corporations having been used in the courts as a basis for outlawing the regular unions.

10. Finally, the company union movement, by its very na-



ture, precludes the establishment not only of the political solidarity of labor, but of any sort of economic or industrial solidarity. It creates instead a debilitating and destructive "loyalty" to a corporation and its financial dictators. In a word, it is a blow aimed at the heart of the labor movement and all that it signifies in the modern industrial world. There can never be such a thing as a labor movement in America until the company union is destroyed.

One way to meet the company union menace is to engage it in open combat, smash it from the outside. This can be done, and has been done. Various employers after experimenting with the company unions have been compelled to return to reason, and to dealing with bona fide unions. Others have put up such a fight that the results are still somewhat in doubt. Two examples of this kind may be taken from recent labor history.

The workers of the Forstmann & Huffmann Co. of Passaic, N. J., had submitted since 1919 to what is called a "representative assembly." This is a committee form of company union system introduced in that year as a means of destroying the Amalgamated Textile Workers of America. Assisted by the spy and espionage system, it succeeded in accomplishing this purpose. The "representative assembly," chosen from factory "wards," met with the management four times a year. Trivial matters were discussed. The workers' real grievances were not considered in these joint sessions.

In the winter of 1926, when the workers in the Botany Mill of Passaic walked out in protest against a wage cut, a good majority of the Forstmann workers joined them. As they had not received a wage cut, the issue with them was chiefly the company union. The company attempted to enjoin the workers from picketing on the basis of the "representative assembly" and the "mutual understanding, coöperation, and good will" which it claimed to have developed among its workers until the labor organizers came to town. How-

ever, the strike was so effective that both the company's mills were forced to close down. In the course of the strike, the company tried to revamp its assembly and make it more democratic by having it composed only of employee representatives without the equal number of appointed "management representatives." But this proposal did not lure the workers back to the mills. Starvation, spies, and strike-breakers finally ended the long-drawn-out battle. The leading workers have been discriminated against, and have not been taken back. Those workers who have returned naturally have little stomach for the company union. It has not been heard from in recent months, and the labor manager who fathered it, has left the firm. The company union system may still be on paper, but so far as any effective action is concerned, it is out of the picture. Although the workers have practically finished the company assembly, they have not yet created an organization strong enough to force management into direct dealings with real trade unionism.

Another example of an open fight that seems to be meeting with more success to the trade union, is that of the Brotherhood of Sleeping Car Porters against the employee representation plan of the Pullman Company. These Negro workers had been included under a plan instituted in various branches of the Pullman service in 1920. The plan failed to function to redress their grievances. Workers who applied themselves too earnestly to the job of serving their fellow workers under the plan, found themselves in continual trouble. The porters were forced to vote in "voluntary" elections. Finally, a group of them organized a genuine labor union and called on the men to enlist. The chief slogan has been, "Down with the Company Plan. Build a Real Union," and it has been surprisingly successful in spite of all the intimidation, espionage, and miscellaneous political, economic, and other pressure brought to bear by the company. At this writing the issue of company organization versus real labor organization is before

the United States Mediation Board. It will decide which body represents the workers, the big majority of whom have joined the brotherhood. The company, of course, claims that all its porters come under the plan by virtue of holding their jobs. Most of the "loyal" company men are either "welfare workers" or stool pigeons. The Brotherhood of Sleeping Car Porters has the finest element among the workers and the prospects of their effort to smash the company union from without looks altogether hopeful.

Another way to attack company unions is to "show them up" by calling on them really to do something for the workers. For example, *The Harvest Worker*, issued by a group of militant workers at the McCormick Works of the International Harvester Company, appeals to the employees to make the Industrial Council do something for them besides discussing safety work and listening to the vice-president of the company describe his last trip to Europe. After pointing out that the reduction of the working day from nine to eight hours should be the first demand, and that the sentiment of the workers is in favor of it, as well as in favor of increased wages for work done at terrific speed, it adds:

"Yet the Industrial Council, which is supposed to look after the interests of the workers, to take up their grievances with the Company, is silent. It ignores these questions entirely, as if they did not even exist, as if the workers were not chafing under the strain and disgusted with the raw deal they are getting from the Company. . . . Right now, we must compel the so-called Employee Representatives on the Industrial Council to bring up these demands until they get action on them. If the men who are called Employee Representatives will not act, then they should get off the job. They have no right to pose as our Representatives. . . . MAKE THE INDUSTRIAL COUNCIL ACT."

The militants follow this with a list of all the employee representatives in the various departments of the plant and tell the rank and file to get after them and see what they will do



about presenting in the council the demand for shorter hours.

At other periods, the pro-trade unionists in this plant have campaigned for the election of representatives who would promise to make a fight in the council for the basic demands of the workers. This method of trying to pledge the nominees in advance is a part of the general program of "capturing" the company union advocated by all elements in the trade unions from the reactionaries to the Left wing. In some cases, this can best be done by a quiet process of boring from within. In other cases, it should be done openly and with the maximum publicity to arouse the interest of the workers and to stir their confidence in what can be done if they concentrate on certain demands and work for the company union candidates who promise to support them.

No matter what tactics are employed in the struggle to outwit management and make the company union something more than a powerless and ineffectual debating society, the active workers are bound to meet with a stiff resistance from the corporation. It will denounce the militant workers as Bolsheviks and as un-American. It will discharge them from the plant on one technicality or another. Indeed, some worker representatives have been penalized by managements for nothing more than energetic efforts to get justice for the workers under the plan without in any manner attempting to establish a trade union in its place.

Before the American labor union can effectively carry out an intelligent campaign for meeting company unionism, certain other steps must be taken. One is the industrialization of the unions or the merging of the many petty sectional and craft groups now dividing the workers and rendering them powerless in the face of the employers' welfare offensive. On the railroads and in the metal trades where the company unions have met with most success, the multiplicity of unions is marked, and the difficulties of obtaining solidarity thereby made all the greater.



The craft-minded trade unionist, as we know him in America to-day, cannot conquer the company union unless he is willing to unite fully his organization and his interests with those of other crafts, and form unions that can cope with modern large-scale mass production industry. The boss can line up his workers in a union that includes all those in one factory regardless of skill, wage grouping, craft, age, color, or sex. And his appeal sounds in this respect at least, eminently fairer than that of a trade union that limits its membership to those engaged on a certain process, of a certain skill, and of a certain race. The only answer to the all-inclusive appeal of the company union promoters is to make the appeal of the real labor union even more inclusive. The joining of the narrow craft unions into real industrial unions, a thorough and sweeping amalgamation of forces should be the first step in any serious campaign against the company union.

In addition to preparing an efficient union mechanism technically capable of taking care of the task of freeing the workers now under the spell of the company union salesmen, the American trade union movement—its leaders as well as the rank and file—must throw off its mood of defeatism and lethargy. It must believe in its mission of organizing the unorganized in the company-unionized areas. It must more vigorously, militantly, as well as realistically, go at the job of enrolling the "nons." It must give the workers as many or more of the tangible benefits promised—and occasionally delivered—by the corporations. It must give them, in addition to this, a feeling of unity with a movement that is broader and more comprehensive and more vital than any mere "shop solidarity" and "corporation loyalty"—phrases invented to increase the profits of the employers. It must create in its members a sense of independence from the boss-class and of kinship with the whole world of labor that is struggling toward the creation of a new industrial society.

## CHAPTER VII

### EMPLOYEE STOCK OWNERSHIP

"You take sum savings from your sock and buy an ounce of bosses' stock. It's printed in sum colored ink and all lit up to make you think, that you're as rich as all creation and goin' strong to own the nation.

I hope you don't gulp down the dope that buyin' stock is workers' hope. It's precious little you can get from your weekly wage, I bet. And there ain't any chanct in hell that them what owns will really sell enough so they will lose their grip on railroad, factory, mill and ship. So long as they can run the show, they just as soon such stock should go to workers, with a purse what's thin as into bankers' box of tin. In fact, they really want us guys to make a few investment buys, and read our share of stock each night, instead of this here dope I rite.

Keep cool in your financial collar; the world ain't offered for a dollar." <sup>1</sup>

AFTER the company union, the most popular and widely discussed device for "democratizing" industry is for the workers to own stock in the company employing them. This is regarded by some economists, bankers, public utility executives, personnel managers, and "imaginative sociologists" as one of the most significant and "revolutionary" devices of the present decade. Since the number of stockholders in this country has increased from 4,400,000 in 1910 to 15,000,000 in 1926 (the duplication and overlapping in this figure is, of course, obvious), they proclaim that "the masses" are beginning to own industry, that the Day of Jubilee has come, that this is the "real" public ownership, and that the wage workers are among the favored and fortunate who now share in the dividends.

<sup>1</sup> Bill Lloyd: *Federated Press*.

The development of employee ownership which is really a kind of substitute for profit-sharing has been described in several books and magazine articles.<sup>2</sup> It has been linked with the general spread of customer ownership of securities, and the most extravagant claims have been made for both. It is claimed by Professor Carver of Harvard that through these two developments, together with the growth in savings banks deposits, insurance policies, and building and loan funds, we are undergoing "a revolution that is to wipe out the distinction between laborers and capitalists by making laborers their own capitalists and by compelling most capitalists to become laborers of one kind or another." This same lyrical prophet of the New Social Kingdom of Heaven also assures us that this revolution is "the only economic revolution in the world,—at least the only one that amounts to a hill of beans."

With these roseate predictions of millenniums to be achieved through the democratization of capitalism, we are not here primarily concerned, though the answer to them will suggest itself as we analyze the phase of the development which interests us at this point—the distribution of securities to workers by the corporations employing them. What is the extent and the purpose of this development? What claims are made for it? How is it used against organized labor and what does organized labor say about it? And what is there in it for the worker, organized or unorganized? These are some questions worth our consideration.

What is the extent of the stock ownership movement? Does it warrant the lavish claims that have been made for it?

The highest estimate of the number of companies selling stock to their workers is something over 400 out of the nearly 300,000 business concerns in the country. Of course some of the largest corporations are included among the 400 and

<sup>2</sup> See Gorton James and others: *Profit Sharing and Stock Ownership for Employees*; R. F. Forester: *Employee Stock Ownership in the United States*; T. N. Carver: *The Present Economic Revolution in the United States*.

the figures for certain individual corporations appear quite formidable. However, the highest estimate for employees covered in these stock plans is about 1,500,000. The highest number of shares any one has said these employees own is about 6,000,000. And the most generous estimates of Princeton University and the National Industrial Conference Board have put the amount of stock held at somewhere between \$700,000 and \$800,000.

Perhaps the nearest thing to accurate figures we have covering employee stock ownership are those of the Federal Trade Commission in its study of the wealth and income of the United States based on the year 1922.<sup>3</sup> There has probably been little change in the situation since that date. Of the companies studied by the Commission—and they represent a cross section of all American industry—it finds that out of 1,000 holders of common stock about 75 are employees. Out of 1,000 holders of preferred stock, about 35 are employees. Furthermore, out of 1,000 shares of common stock, the 75 employee stockholders have but 15 shares; out of 1,000 shares of preferred stock, the 35 employee stockholders hold but 19 shares.

Stuart Chase, writing in the *New York Times*, says: "It is evident from these figures that, in spite of assertions of its vast development and revolutionary implications, employee ownership was, in 1922, hardly more than a drop in the bucket." And, as we shall observe later, the drop has by no means increased in later years.

The study of the Federal Trade Commission gives us some notion of the industries in which employee ownership has shown most progress. In some industries it is almost nil. As the National Catholic Welfare Conference points out after an examination of the report: "In the gas industry less than

<sup>3</sup> Federal Trade Commission: *Report on National Wealth and Income*, submitted May 25, 1926, in response to Senate Resolution No. 451, 67th Congress, 4th Session.



one-tenth of one per cent of the common stockholders are employees of the industry and they own four-tenths of one per cent of the stock. Three-tenths of one per cent of the preferred stockholders are employees and they own less than one per cent of the stock." It is also made clear by this report that most of the stock is owned not by the rank and file of the workers, but by the better paid officials of the companies. "All this goes to show," the Welfare Conference adds, "how steep a road American labor must travel to reach the goal when the working people will share proportionally in the ownership of industry. It punctures the myth that has been carefully blown up in the United States. *American industry is not on the high road towards democratization through diffusion of stock ownership.*" (Author's italics.)

According to a later compilation made by the Industrial Relations Section of Princeton University (December, 1926), four and twenty-six one-hundredths per cent of the stock of twenty important companies that have vigorously promoted stock ownership among their employees, is owned by those employees. Of the total number of shareholders of these twenty selected companies, the worker stockholders equal approximately twenty-one per cent, or some 244,000. The market value of the average holding or subscription is about \$1,244. This is certainly far above the "average holding" for the more than 400 companies now engaged in selling stock to their employees. It should be noted in this connection that the term "employees" includes foremen, superintendents, the salaried office and administrative force, even the \$100,000-a-year managers of companies. Hence the failure of any "average holding" to indicate the true amount held by the mass of the wage workers of these corporations. As one writer observes, "All talk of 'average holdings' to be found by dividing the total number of shares by the total number of shareholders, should be consigned to the joke column, and not put on the financial page. It belongs in the same category with Josh Bill-

ings' claim that he and his neighbor had thirty cows 'between them.' ”<sup>4</sup>

But taking the foregoing figures for what they are worth, we can say that in twenty of the outstanding stock-to-employee boosting companies, employee ownership is not very formidable. Still, in view of the propaganda spread in its favor, the labor policies of the corporations involved, the jubilation of some economist-mythologists, and the great mass of writing on the subject, it is certainly worth our careful attention.

We shall not examine in detail the various types of plans used to place securities in the hands of employees. They are fully described in the books dealing with the subject.<sup>5</sup> There is a wide variety of plans in existence. The securities offered are usually either preferred or common stock or “employees' special stock,” usually some form of non-voting stock. It may even be a bond or what is known as an “investment certificate,” the form used by the Ford Motor Co. There may be special inducements or baits attached to the offering of stock. The company may put up a part of the subscription or make special premium payments in addition to the regular dividend. The stock may be offered at a little below the market value or it may be used in connection with thrift plans for workers, or dovetail with a bonus system, the bonus going as a whole or part payment on the stock.

The standard plan usually provides for payment in installments out of deductions from wages, a sort of “check-off” plan. Termination of employment requires the sale of the stock to the company or, if the employee has paid in so much but has not yet fully subscribed for his shares, the money may be returned with interest at a specified rate. The right of the company to repurchase the stock is set forth specifically; and, of course, the company retains the right to alter or terminate the plan at any time it chooses. The subscription

<sup>4</sup> W. B. Catlin: *The Labor Problem*, p. 186.

<sup>5</sup> See especially Foerster, *supra cit.*, p. 103, *et seq.*

periods for installment payments run anywhere from twelve months to five years, the average being about five years. Some companies offer extra inducements for retention of stock as they want the workers to hang on to the stock once they have purchased it. The Standard Oil Company, for example, admits to its new plan only workers who have retained at least two-thirds of the stock acquired during the company's previous offering.

It is unnecessary to name the several hundred industrial, public utility, and railroad companies that have introduced one form or another of stock participation,<sup>6</sup> but it may be well to give the twenty important companies mentioned by the Princeton Industrial Relations Section in its compilation of December, 1926, noting after each one certain facts which, as we have observed above, throw light on the amount of the employee holdings in those companies which have pushed stock subscriptions with the most vigor (*see* p. 153).

### *Company Reasons*

What are the common reasons presented for offering stock to employees? They are many and diversified, depending upon the company and the imagination of its press agents. Some of the stated reasons are the following: to stimulate loyalty to the company, interest in work and better morale, to stabilize industry, to diminish turnover, to avoid "labor troubles," to provide a safe investment for workers' savings, to attract a more responsible type of employee, to promote better relations, to attract new capital to the business, to increase the output of goods, to create a contented personnel, "to reduce friction," to cultivate a feeling of respect and responsibility for property, to further mutual understanding, "to improve the working attitude and be generally educa-

<sup>6</sup> For a list of several hundred companies, *see* Foerster, p. 99.

	Number of employee owners and sub- scribers	Ratio (per cent) of present and pros- pective employee stockholders to all present stockholders	Market value of employee holdings and subscriptions	Ratio (per cent) of present and pros- pective employee holdings to market value of total stock now outstanding
The American Sugar Refining Co.....	1,000	4.18	978,537	1.12
Amer. Tel. and Tel. Co. (Bell Sys.) %.....	57,000	14.49	86,000,000	5.60
Bethlehem Steel Company, Inc.....	35,000	62.71	11,829,896	6.56
Henry L. Doherty & Company.....	9,000	8.49	8,950,000	3.09
Eastman Kodak Company .....	15,000	57.64	20,517,000	8.44
Illinois Central System .....	1,256	5.33	1,164,715	.61
International Harvester Co., Inc.....	12,000	54.54	15,240,000	7.16
The Lehigh Coal and Nav'tion Co. ....	276	4.60	244,440	.39
Lehigh Valley Railroad Company .....	2,127	22.38	912,000	.88
National Biscuit Company .....	3,084	19.64	7,259,868	3.35
New York Central Lines .....	20,463	46.88	8,364,370	1.64
Pennsylvania Railroad System.....	19,500	13.91	5,348,504	.95
The Philadelphia Electric Company.....	1,035	4.20	1,848,600	1.16
The Procter & Gamble Company.....	4,326	55.88	23,069,210	11.61
The Pure Oil Company.....	1,081	3.15	2,334,575	2.35
Radio Corporation of America .....	443	1.26	210,000	.24
Standard Oil Co. of California .....	11,854	20.55	28,494,109	3.83
Standard Oil Co. (Indiana) .....	17,416	34.98	24,443,055	4.12
Standard Oil Co. (New Jersey) .....	19,135	43.70	36,288,000	4.18
Swift and Company .....	13,000	27.65	20,000,000	11.39
	243,906	20.93	303,496,879	4.26

<sup>7</sup> More recent subscriptions by employees of the Bell System have amounted to 692,000 shares, which are being purchased by 180,000 employees, many of whom are already included, however, in the 7,000 who are now owners of stock.



tional," to create an active rather than an absentee ownership of industry, etc. Many of these are overlapping, but together they represent the most common company answers to the question, "Why do you do it?"

Let us examine a few typical statements made by representative corporations in introducing these plans. The president of the International Harvester Company, in a letter to his employees, says:

"The officers and directors are convinced that annual investment by the employees of a part of their extra compensation in the company's stock and their continued ownership of such stock should and will be distinct incentives for each employee to contribute his fullest share toward the success of the business."

President Gerard Swope of the General Electric Company, speaking before a meeting of the "G. E. Foremen's Association" in 1924, "expressed gratification that so many employees were stockholders in the company. This situation tended to give the worker a realization that he is part of the Company and that when he does good work he is aiding in the giving of service which the company must give if it is to hold its place in the electrical industry as well as in the community at large." <sup>8</sup>

And, finally, the Standard Oil Co. of New Jersey in its official house organ, *The Lamp*, in a leading article entitled, "Partners or Just Onlookers," tells why it is so interested in employee participation in stock ownership that it is willing to pay one-third of the subscription on each share:

"The controlling reason back of the decision to make a liberal Company contribution to supplement the savings of the subscribers was the thought that the man or woman who has his or her own capital invested alongside that of 60,000 non-employee stockholders will take enough added interest in the success of the enterprise to justify the assistance given from Company earnings."

<sup>8</sup> *Schenectady Works News*, February 1, 1924, p. 10.

The foregoing reasons are those that have actually been advanced by particular corporations when asked the question, "Why did your concern adopt a stock ownership plan?" There are in addition other considerations that come in for their share of the credit when the employer or corporation head is expressing himself either in confidence or, say, at a banquet of company executives. These types of reasons are really elaborations of those given above, though many of them carry a somewhat more explicit meaning. The editors of financial papers and other "outside" enthusiastic supporters of stock acquisition by employees have expressed many of them.

#### IT DISCOURAGES UNION MEMBERSHIP

The prevention of unionization is certainly one of the underlying motives of these plans, just as we have found it to be the dominant motive behind company unionism. Many of the plans, such as the one later abandoned at the American Woolen Company, have been introduced after a strike, usually a lost strike, or at least one in which no union survived. With a few exceptions, practically none of the plans have been introduced in unionized companies where the management conducts collective bargaining with the organized workers. In some cases, where both union and non-union men are employed by a company, it is found that the non-union men respond, while the union men refuse. However, such railroads as the Lehigh Valley, have expressed the hope that they can ultimately interest the union men as it considers this "a better method of gaining a proprietary interest in the road than by the strong-arm method advocated by Plumb Plan propagandists"—this being a dig at the formerly politically progressive railroad brotherhoods.

Many companies, such as the National City Bank of New York, have established their plans immediately upon the at-

tempt of an A. F. of L. union to organize their employees. This was certainly the case with this bank as indicated in a *New York Times* story covering the announcement of the plan in 1924:

"Charles E. Mitchell, president of the National City Bank, who has been described by union leaders of the movement for unionization of bank clerks, as one of Wall Street's most reactionary leaders because of his attitude toward the unionization program, announced plans yesterday for employee-ownership of a large block of the stock of America's largest commercial bank."

The corporations are naturally bent on isolating their employees from union agitators. The Brooklyn-Manhattan Transit Corporation states very frankly that its plan is to "discourage agitation for strikes." The National Association of Corporation Training issued a report on employee ownership stating that it was the opinion of a number of executives of companies introducing these plans that it is far better to have the employees get their information about economics and industrial management from the company, as they will through the application of this scheme, than for them to "secure their theory of economics and knowledge of company methods from irresponsible agitators," meaning union agents who might try to interest them in the advantages of labor organization.

Practically all writers on the subject admit that many companies—no one can tell the exact number—"have encouraged employee ownership with a view to preventing strikes and to discouraging the formation or the joining of unions. In other words, it is more useful as a means of labor management than as a device for raising capital."<sup>9</sup>

Many employers' organs have pointed out the value of these schemes in taking the wind out of the sails of the unions. The *Pennsylvania Manufacturers' Journal* expresses

<sup>9</sup> J. E. Rhodes: *Journal of Accountancy*, August, 1923.

great satisfaction over the movement which it feels certain will give the unions a tumble: "Probably no one thing has effected so great a change in the attitude of workmen to big business enterprises as the fact that an annually increasing number of workmen are becoming substantial stockholders in the concern in which they are employed. This is a solemn and disturbing fact with the labor organizer."

#### IT ROUTS THE REDS

Stock acquisition by workers goes farther than the mere deflation of unionism. Suppose, by some chance, it should fail to prevent this step; or even that the unions should heartily embrace the idea of investing in the company stock of the industries where they are recognized, then certainly this scheme would prevent Bolshevism or radicalism, hated equally by the conservative labor union official and by the open shop employer.

Cyrus McCormick, Jr., of the International Harvester Co., touched on this cardinal contribution of stock ownership to the company and the country when he said: "Employee stock ownership is a very practical step toward removing any possible danger of Bolshevism in that it facilitates the transfer of those who have not into the class of those who have."<sup>10</sup>

The Pittsburgh Coal Co., Secretary Mellon's anti-union corporation, puts it in much the same way. Referring to its scheme, it says, "It is a leaven quietly overcoming radicalism and class hatred."

The mine owners of America, outside of Pittsburgh Coal and a few other companies, have not gone far in the distribution of securities to coal diggers, but the *American Mining Congress Journal* declared in October, 1926, that it ought to be further developed "as a stabilizing influence against radical-

<sup>10</sup> American Management Association: *Production Executives' Series*, No. 33, p. 8.



ism, a prophylactic against government ownership, and as a means of breaking down the old alignment of labor against capital and so to prevent or lessen evils arising out of such strife." The *Journal* contends, "it is a sure cure for radicalism."

In an address before the American Management Association in 1926, G. A. Bowers noted some of the "benefits" arising out of these plans. He declared that ownership, even a share or two, in a capitalistic enterprise may be expected to give the worker "a more conservative point of view toward industry and society generally; certainly, such a workman cannot consistently support communistic or other extremely radical ideas."<sup>11</sup> And Sam Lewisohn in *The New Leadership in Industry* says: "Ownership of stock serves as a symbol of, and a means of identification with, the economic system."

F. C. Biggert, Jr., of the United Engineering and Foundry Co., commenting on the increase in employee stockholders, gives the final touch to this picture of Moscow in retreat when he writes: "We seem to be headed straight toward employee ownership of industry, not by the Bolshevik method of seizure, but by the orderly conversion of our workers into combined worker-capitalists. What happier outcome of a vexing problem could be desired?"<sup>12</sup>

In so far as stock ownership might be used against Reds rather than against trade unionists, the latter would probably endorse it. Daniel J. Tobin, an engineer, writing in an *American Federationist* symposium on "Labor Investments" (October, 1926, p. 1199), says that stock ownership "gives the employee a sense of ownership in something, a feeling very useful in combatting extremists of the I. W. W. type who make trouble for the unions as well as for the employers."

<sup>11</sup> American Management Association: *Annual Convention Series*, No. 35, p. 8.

<sup>12</sup> *American Industries*, August, 1924.

## A "STAKE" IN THE INDUSTRY

Then there may be mentioned a somewhat broader purpose of the employer, related both to his antipathy toward unionism and his fear of communism. It is associated with the often publicly expressed desire to bring about a grand harmonization of Labor and Capital, by making petty capitalists out of the workers. This purpose has been expressed in many forms. One employer, the president of the Detroit Sulphite Pulp and Paper Co., in explaining the plan of his company, declared, "Our thought hinges around building a payroll of capitalists."

And it takes very little stock to give the worker that feeling of being a capitalist, according to the same executive. He describes how his company issued its stock in such units as to cultivate this feeling. The common stock of this company before it was offered to employees was \$100 a share. "We reduced the par value to \$10 so that the employees' stock could be issued in \$10 units. . . . There was a bit of psychology involved in doing all this. An employee who would tell his neighbor that he owned a share of stock in the company would perhaps arouse the comment, 'Shucks! You don't amount to anything in that business.' But he is a bigger pumpkin if he owns ten shares."

Not only will he feel himself a capitalist on a small scale, the advocates of employee ownership maintain, but he will no longer have any criticism for capitalists or the ruling lords of industry and finance. In its broadest sense—including the new customer ownership as well as employee ownership—the ultimate condition towards which they predict this country is gradually moving, is one in which no amount of criticism of trusts or corporation practices can arouse the people. For, as *Commerce and Finance*, in a prophetic mood, puts it, "the public owns the stocks," and "a nation of investors is necessarily a nation of political conservatives. . . . Every one will have money in the bank, every one will necessarily be an

investor with a healthy income. We shall be established once for all, as a nation of conservative Bourbons." (December 31, 1924, p. 2499.)

All the various and sometimes vague reasons for welcoming the wide distribution of securities among employees may be regarded then merely as a part of what the New York *World* calls "enlightened self-interest." Commenting on the share of the Steel Corporation's forty per cent 1926 stock dividend, which went to employee stockholders, it said: "Employee stock ownership is wholly capitalistic in its inspiration, and it is designed to strengthen the pillars of capitalism by promoting thrift and loyalty and mitigating some of the asperities of the modern industrial system."

### *Objections to Stock Ownership*

What are some of the common objections raised by the spokesmen of organized labor to employee stock ownership plans? As we have noted, one of the basic purposes of these devices is to prevent the growth in the power of even very moderate labor as represented in the established unions of the A. F. of L. The fact that the employers see this purpose plainly and state it openly ought to be enough to satisfy the labor union citizen that no good can come to him from such schemes. The further fact that those concerns which have fought the unions most bitterly—such as Standard Oil, U. S. Steel, Studebaker, DuPont Powder, Wheeling Steel, Pacific Mills, Bethlehem Steel, Brooklyn-Manhattan Transit and Atlantic and Pacific Tea Co. have introduced employee stock ownership plans—should be a further sufficient fact on which to base organized labor's opposition.

But labor's criticism does not rest simply on the fact that "what's good for the boss is bad for me." It has certain other reasoned objections which have been stated frequently since the employee stock ownership vogue began. Some of

them are implicit in what has gone before, and in the various objectives attributed to the employers such as the creation of loyalty and morale. This the labor union rightly interprets as meaning loyalty to the company as against loyalty to the union. Some of the objections and criticisms labor raises against this company scheme are the following:

The worker who invests in the stocks of the corporation employing him is "putting all his eggs in one basket." No financial adviser would recommend that a person risk his savings in the same place where his main source of financial support is located. And yet this is what the stock plans involve. Labor considers it both unsafe and "unbusinesslike."

Furthermore, some of the stocks that have been offered in connection with these plans have been highly speculative. To be sure, some have gone up in price. Others have gone the other way. And in one or two instances, such as the Bethlehem Motors Co., the company has gone completely bankrupt, leaving the loyalty of worker stockholders rather badly deflated. Still other firms, like the Goodyear Tire & Rubber Co. and the A. C. Lawrence Leather Co., have been "reorganized" and the employee stockholders have been left "holding the bag." And even if the stock should not decline in value but only pass a dividend or two, labor is not likely to remain happy under the plan. However, the National Industrial Conference Board, in one of its special letters to board members in 1926, told of a firm in Minnesota employing some 1,500 workers where the workers had shown no resentment when the stock fell in value, or even when the dividends were not paid. "It was at this time," the company points out, "that the *proprietary interest* engendered in the stockholding employees proved itself, for not only did they retain full faith in the company, but applied themselves with added vigor to their tasks." Such instances, labor believes, would probably be very rare, though devoutly to be wished by the employer! It is not known that the employees of the United States



Rubber Company were so loyal when the stock sold to them at \$100 a share declined to \$50 a share within the two-year period required for the installment payments. Nor were the workers of the American Woolen Company, who had been asked to purchase stock on the ground that it would protect them during unemployment, any too well pleased when the dividend was not paid in September, 1924. Some of them were then unemployed, or if working, were facing wage reductions.

As the employer sees in such devices a cut in labor turnover, conversely, labor sees a depreciation in the bargaining and organizing power of the worker due to this very weakening of mobility. Particularly the older men who subscribe for stock and who could not so easily get employment elsewhere, are loath to leave the company to strike or to help fight for a wage advance if they have a share of stock to tie them to the concern. As the Labor Bureau has put it, "The worker sells out his major interest as a worker for a pittance at the hands of capital."

Again, labor feels that the purpose of the company is to so interest the workers in dividends that they will pay less attention to wages, that the ownership of stock will serve as a deterrent to movements for wage increases. They feel that the stock, like other welfare handouts, is offered them in lieu of wages and they look forward to the company's arguing at some later date, "How can we increase your wages? Your stock will go down if we have to do that." In such a case to strike would be to strike against one's own stock! As the *Federation News* of Chicago observes: "The employees who buy stocks and bonds from the corporation that employs them are given to understand that they can gain more on their investment by being satisfied with the continuance of low wages and unsatisfactory working conditions."

Another point that has been made by union officials as well as by others who have examined these plans, is that the compa-

nies that have distributed stock directly to employees, as well as to consumers, have thereby saved themselves heavy commissions that they would have had to pay to banking and brokerage houses were the stocks sold to the general public. Nor do they have to train a special corps of salesmen. These expenses are saved to the company. Furthermore, in some public utility companies the employees act as virtual stock salesmen when they go to read the customer's gas meter or repair his telephone. In this way, employee ownership becomes a sort of feeder for customer ownership.

Another objection raised by labor is that the stocks offered are usually non-voting stocks which carry no voice whatsoever in the control of company policies. But even were they voting stocks, and could by some miracle (for labor is nearly 100 per cent non-organized in steel) be voted as a unit, say, in the meetings of the United States Steel Corporation, what would it mean to labor? The 50,000 employees of the corporation would come into the meeting with some 500,000 shares, even so a very small minority interest. Two dozen stockholders in New York City could walk in with twice that many shares in their pockets and twice that many proxies, if the occasion required. The workers could never vote their stock collectively unless they were in a real labor union. And that is the last thing Elbert H. Gary proposes to let them organize. If they cannot organize to protect themselves as wage earners, it is highly improbable that they could ever organize to protect themselves as stockholders.

Another serious objection raised by labor is the fact that the skilled workers, the "key" employees and higher paid mechanics can naturally purchase more of these stocks than the low-paid and unskilled worker. This raises still another barrier between the skilled and unskilled which renders unionization just that much more difficult.

Still others both within and without the ranks of organized labor who have examined these schemes have observed that

the employers, in general, have contrived these plans partly in an effort to fight off public regulation and state legislation. Measures tending toward government control, Federal Trade Commission studies and other "outside interference" are likely to become unpopular when the corporation has distributed its stock not only among its workers but also among its customers.

Closely related to this goes the "advertising value" of employee stock ownership. "Copy" written about these plans helps to impress the public with the kindness and generosity of the company. Armour & Company's advertising department has prepared a great deal of pretty "copy" based on the employee ownership plan.<sup>13</sup> And Swift & Company is the subject of a special write-up in *Printers' Ink* bearing the title "Turning Employee Stock Ownership into an Advertising Appeal." Likewise the Standard Oil Company of Indiana in full-page spreads in the *American Federationist* (November, 1926) speaks of its employee "partners" who have purchased shares. "Identity of Interest" is the top caption. The Chairman of the Board of Directors of the company is quoted at length about "one great army of 29,000 people working for a common cause and common good," and about the "theory of service" which the company is said to have put into action.

Still another effective piece of oil good-will advertising in the *Federationist* (May, 1925) was headed, "Who Are the Capitalists Behind the Standard Oil Company?" The employee takes his place alongside the humble "widows and orphans" who have long been the mighty shield and defender of the American corporations!

Although the return from the investment of say \$500 in company stock yields so much less than the workers could obtain through adequate organization of their economic power, still the employers are convinced that they can keep on fooling the workers by cultivating with a bit of stock the "spirit of

<sup>13</sup> *Manufacturers' News*, December 12, 1925, p. 90.



proprietorship." The *Manufacturers' News* of Chicago, phrases the situation neatly:

"It has been shown that the possession of a single hundred-dollar interest in his employer's business often turns an employee from a restless fault finder into a steady self-respecting worker and citizen. The size of the dividend, even in the most profitable business, is not sufficient to explain such a case—it is the *fact of partnership* that works the change."

Or the "myth of ownership," as it might be called.

We have referred to the fact that about one-half of the stocks sold to the workers are non-voting stocks. But even if they carried full voting power it would mean nothing to the workers or to the small holder of any other class. It has been noted by many who have studied the subject that the wider this stock is distributed, the easier it is for a small group of investment bankers to maintain control of a company, and indeed, to play off the workers against the consumers of the product. To "divide and conquer" might be the motto of the powerful banking interests who are to-day advocating a "shifting of ownership" to the worker and smaller investor. The more it is "shifted" to these drop-in-the-bucket investors, the more easily can the one man or the small minority group of promoters, holding companies, and other financial manipulators, control the policy of a company. The recent writings of Professor William Z. Ripley of Harvard have established this fact beyond any doubt.<sup>14</sup>

A "respected business man" recently remarked to a friend of mine:

"We were once advised that in organizing our new company we should scatter the common stock from Dan to Beersheba so we should not need to worry about control. We scattered it from the Philippines to Germany and we do not worry. Three per cent is all we need."

Thus the "democratization of capitalism" is simply "good business" for the astute business entrepreneur.

<sup>14</sup> W. Z. Ripley: *Main Street and Wall Street*.



Referring to this tendency for control of industry to fall into the hands of stock exchange bankers through the wide distribution of the shares, the *New Republic* says:

"Separated individual stockholders far removed from the back office, cannot as stockholders get together or exercise an informed power over corporate management. Far from removing the need for labor organization or public supervision, this development increases it. It is an ingenious and dangerous flim-flam which should not long deceive us."

And yet there are at least several hundred thousand workers in America to-day who are apparently being quite deliberately deceived by stock-peddling managements who tell them that they are "co-workers" when they have paid down their first dollar installment on a meaningless share of non-voting stock. Professor Ripley's attacks on corporate oligarchy were aimed primarily to defend the helpless small non-wage earner stockholder who has nibbled at the customer ownership bait. But his conclusions apply with far more force to the non-union workers of the General Motors Co. and the Standard Oil Co. who have succumbed to the illusions of apparent democracy of ownership through the purchase of a few shares of stock. The spirit of these chloroformed workers is illustrated in a fable which appeared in the *Lamp*, house organ of the Standard Oil Company of New Jersey:

"'The Standard Oil?' interrupted a tank wagon driver to an agitator who was crying out the evils of big business. 'You don't know what you are talking about. I am the Standard Oil Company.'"

This "me and Rockefeller" consciousness is Standard Oil's patent substitute for class consciousness and labor unionism.

In spite of all that has been said above concerning the impossibility of the worker gaining any control over corporate managements through the ownership of stock, even in substantial amounts, there may be some who are still impressed by the common cry that the wage-earning class is getting

more out of the national prosperity than it did some years ago, and that the tendency is for the workers to get a little larger slice of the national income, thanks to stock ownership, increased wages, and other possible sources of income. To prick this bit of "more equal income" propaganda, so evangelically spread by Professor Carver and the public relations experts of the big public utility corporations, we need only add a few figures that have been dug up during the last year by Lewis Corey, a writer for the *New Republic* (May 5, 1926).

Corey has painstakingly demolished the pretty myth of the worker's increasing share of the national income. He analyzes the income tax figures issued by the Bureau of Internal Revenue for the last few years and shows that the concentration of industry in the hands of the middle and big business class is, in fact, increasing instead of decreasing, as Professor Carver and his associates in Pollyanna economics have insisted. Professor Carver and his school have been making much of the increasing ownership rights residing in the income groups running below \$5,000 a year, a part of these, of course, being wage earners. But Corey shows how little this means in actual amounts of stock held by the low income groups. He figures out the approximate distribution of stock holdings for the various income groups as follows:

*Approximate Distribution of Stockholdings (1923)*

Income Group	Number in Group	Stock Owned	Percent of Total Stock	Average Holdings
\$5,000 up .....	600,000	\$46,875,000,000	75.0	\$78,125
\$3,000-\$5,000 ....	1,400,000	8,065,000,000	12.9	5,760
Below \$3,000 ....	5,000,000	5,060,000,000	8.1	1,010
Not reporting ...	8,000,000	2,500,000,000	4.0	310
	15,000,000	\$62,500,000,000	100.0	\$4,165

These figures, as he points out, reveal "overwhelming concentration" in the hands of the upper classes. They show that

4 per cent of the stockholders of this nation own 75 per cent of the stock, while 53 per cent of the stockholders own just 4 per cent of all the stock.

His study shows also how the capitalist statisticians, in their eagerness to show the sweep of the small stockholder movement, have been basing their figures, as does Carver, on the income reports up to 1921 when the share of the national income going to the lower income groups was at its peak. Since 1921 the trend has been in quite the opposite direction, the large income groups having in the years 1922-24 recovered nearly two-thirds of the dividends lost in the years just preceding 1921. Indeed, the figures for income distribution for 1924 lead him to these conclusions:

"1. Stockholders are multiplying, but corporate ownership is not being democratized. In 1924, 4.6 per cent of stockholders owned 76.9 per cent stock, a net gain of 1.4 points over 1923.

2. Of the decline in stockholdings of the large investors (incomes of \$20,000 up) almost two-thirds was recovered by 1924, and the tendency is again for their share in corporate ownership to increase.

3. The working-class has slightly increased its stockholdings, but this gain is absolute and not relative. The real gains have been scored by the middle class.

4. The class concentration of corporate ownership is not being broken, nor are there any indications of its being broken.

5. Under prevailing conditions we are not approaching, either immediately or potentially, working-class ownership and management of corporate industry."

This is the "economic revolution" predicted by the stock-to-worker optimists. The concentration of industry advances steadily, depositing more and more power in the hands of the non-wage earners of the topmost income groups. While this is going on the non-union worker, fed on "fundamental economics" carries a brightly engraved share of stock in his pocket, believing, we are told, in his dream that he owns the world.

## CHAPTER VIII

### INSURANCE AND PENSIONS

#### *Group Insurance*

"THEY made me take out an insurance policy, though I didn't want it," a worker in the Studebaker automobile plant at Detroit told me last summer. He described how the company had told him to "go along with the rest of the boys, or get out."

The tremendous development of group insurance during the last fifteen years is probably not entirely due to such "forcible feeding" as this incident would seem to indicate. But the high-pressure salesmanship of the large insurance companies—and many of the smaller ones—has certainly had a lot to do with it. We shall see later just how this salesmanship is conducted.

Among all the personnel devices, group insurance has enjoyed the most phenomenal growth both in the number of workers "covered" and in the number of dollars represented. The latest figures give the total volume of group insurance outstanding at the beginning of 1927 as \$5,600,000,000. This represents 4,700,000 employees, and covers all the group policies issued by all the insurance companies now writing this kind of insurance—more than seventy-five in number.<sup>1</sup>

The group insurance carried by American industrial establishments has thus risen from a little over \$13,000,000 in 1912, when the first policies were written, to some 440 times this amount in 1927. Abraham Epstein, who has recently

<sup>1</sup> *Annals of the American Academy of Political and Social Science*, March, 1927, p. 32.



studied the welfare policies of some 1,500 companies, says: "The amazing spread of this form of insurance is shown further by the fact that of the 1,500 concerns examined, almost fifty per cent of those having some welfare measures have provided their employees with group insurance."<sup>2</sup>

Some of the outstanding insurance companies offering this class of underwriting to corporations are the Travelers', Metropolitan, Ætna, Equitable, Connecticut General, Prudential, and Missouri State. The Metropolitan alone has written group insurance for 2,500 firms with 815,000 workers. Due to the keen competition between the insurance companies now writing it, the sales literature dealing with group insurance is most elaborately prepared. The ordinary insurance salesman usually gives way to the higher executives of the company in the selling of these profitable group policies to industrial concerns.

Group insurance is simply a blanket form of policy covering all or part of the workers in a plant. The law requires at least seventy-five per cent. It is usually renewable each year. It has no cash or paid-up value in the event of lapse. In case of death or total disability while in the service of the company, the worker or his beneficiary receives a specific indemnity.<sup>3</sup> The various types of group insurance and their provisions are fully described in the literature of the insurance companies and in the study made by the National Metal Trades' Association. It may only be noted here that group sickness insurance is also increasing. Possibly a half million workers are now covered by this type.

Group life and disability insurance is reported to be costing the companies that provide it for their workers about 1 per cent or less of their payroll. In some groups the cost is about \$10 per worker per year, or less than 20 cents a week for a

<sup>2</sup> *Current History*, July, 1926, p. 519.

<sup>3</sup> *Experience with Group Insurance*, Committee on Industrial Relations, National Metal Trades' Association, 1926.

\$1,000 policy, which is the average amount provided to the individual worker. "Ten dollars on each employee," argues the Connecticut General Life Insurance Co. "No more than a very modest Christmas dinner for an average-size family." This company points out that the same amount of money now spent by some companies for Christmas turkeys for employees will be much more effectively spent on group insurance.

Other companies, such as the Ætna, offer a "Coöperative Plan" of contributory insurance, which costs the employer only a cent a day per insured worker. It argues that this amount of money in the pay envelope would be a positive insult to the worker. But in the form of insurance it is very attractive and gives the worker the impression that his company is doing a great deal for him.

Another company declares that it costs, "less than one per cent of a man's earnings"—it means practically raising the wage of the worker by only eight or nine dollars a year, and this modest expenditure "makes for better service and corresponding profit to the employer."

Scarcely a week passes that the newspapers do not carry the account of some important industrial concern adopting group insurance for its workers. Some of these plans provide for a contribution from the worker himself, sometimes through a "check-off" on the pay envelope; others are provided gratis and without any contribution by the worker.

A typical large corporation using group insurance is the General Motors Company, which insures its more than 100,000 workers for \$1,000 each, the worker and the company sharing the premium. The United States Rubber Co. provides life and disability insurance for more than 10,000 workers. The workers contribute about fifteen cents a week for a \$1,000 policy under this plan. Some 14,000 workers in the Armour & Co. plants are covered by a contract totaling about \$12,000,000. The Great Atlantic and Pacific Tea Co. insures its workers for from \$300 to \$5,000, according to a non-

contributory plan. Other typical anti-union corporations out of the thousands using group insurance are the Commonwealth Edison Co., General Electric Co., Cleveland Twist Drill Co., Youngstown Sheet and Tube Co., the B. F. Goodrich Co., Packard Cleveland Motor Co., Worthington Pump and Machinery Co. and such railroad lines as the Delaware, Lackawanna & Western, the Rock Island, and the Northern Pacific, the latter having over 30,000 workers insured. This kind of insurance has been used also by certain American Plan employers' associations as an instrument to help establish the non-union shop. The Industrial Association of San Francisco, for example, has used it as a lure for building trades workers to desert their unions and become "American Plan workmen."

The introduction of group insurance or "mass insurance," like other personnel devices must be preceded by a generous amount of "education" which is usually prepared by the insurance company. The National Metal Trades' Association report points out that no matter how worthy the policy and motives of the company, the group insurance idea "will not 'sell' itself." The members of this employers' association, therefore, make use of "bulletin board posters, letters to individual employees, mass meetings addressed by company officials and insurance carriers' representatives, conferences of foremen and keymen, and stories in house organ." And even after the idea of group insurance is thoroughly implanted in the minds of the workers, the association adds, "it must be kept sold." So the insurance companies usually provide a series of pamphlets, bulletins, posters, and pay envelope inserts "dealing generally with the problem of health education, but serving to keep the fact of insurance before each employee."

It is impossible to say how far the companies will go in urging their workers to take insurance. The non-contributory sort is often given the worker whether he likes it or not as a condition of employment. The contributory type is usually



"sold" by the methods above described. Sometimes a worker, like my friend at the Studebaker plant, protests and declares he does not care for the company insurance. He was told at first that the acceptance of the insurance plan was purely voluntary. When he declined to accept it, the management quickly made it clear that he had better "go along." Told in his own words:

"Many of the men in my department refused to take it as they needed every cent they could get to make up for lost time. The assistant superintendent was then delegated to speed up the selling campaign. Despite the pressure exerted by the foreman, the representative of the Coöperative Department and the assistant superintendent, about twenty-five per cent of the men refused to take the insurance.

They were all called into the superintendent's office and given a long oration on the many favors the Corporation had bestowed upon them in the past and how this was another effort on the part of the company to demonstrate its solicitation for the well-being of its employees. It ended with the remark that we would have to take the insurance in any of the plants in the city so we might as well take it here. And, furthermore, if we did not like it we could get out. When he finished, all of the men except me were pretty much cowed into accepting the insurance and signed up for it. I was asked to stay after the others left, and was told that I would have to take the insurance or get fired. I took the insurance."

There can be no doubt that some pressure, if not outright intimidation and coercion, is used by certain companies in prevailing on their workers to take this insurance. Companies have also been known to place specific disadvantages in the way of workers who have not taken insurance. For example, the Arlington Mills of Lawrence, Mass., have a rule which provides that "employees who are not insured will not be granted a leave of absence, and should they be absent, their names will be automatically dropped from the payroll."

The reasons for the adoption of these insurance plans are



as various as those we have found behind company unions and stock ownership schemes. The survey of the Metal Trades' Association reveals them running all the way from such "humanitarian reasons" as "a sense of moral obligation" to such economic considerations as "stabilization of working force" and the "improvement of morale." The National Industrial Conference Board cites one large baking company with 22,000 employees, where in the course of introducing the plan, "the company has been able to determine to its own satisfaction, and in no small degree, the attitude of employees toward the organization, and has ascertained in some instances that certain employees were undesirable, because of their mental attitude toward general industrial conditions as well as toward the employer." Behind this wording one has a picture of the "disturbing elements" being weeded out, the labor-organizing types of workers being fired, and the company being maintained 100 per cent non-union.

The desire to keep the worker with the company and prevent his going elsewhere is clear enough in most of the literature issued by companies in connection with these plans. The Chase Metal Works, which regards insurance as "a kind of bonus for steady intelligent work," says in one of its booklets, "Each year of continuous employment increases a man's insurance . . . and quite naturally a man will think twice before giving up this free insurance and leaving his job." The Commonwealth Edison Co. finds that as a result of insurance "efficiency is improved. Loyalty to the company is increased. The mental outlook of employees on industrial questions tends to become more healthy . . . a more dependable class of workers is attracted by these plans." Speaking to a gathering of executives of firms which have introduced these policies, Haley Fiske, president of the Metropolitan, said, "If we can get into the minds of wage earners the idea that they own capital in the form of policies we shall have gone a long way toward teaching them the rights of property and the im-

portance of corporations in which capital is invested.”<sup>4</sup> The Packard Cleveland Motor Company has declared that the use of group insurance certificates has “resulted in stabilizing labor, attracting and retaining employees of the better grade . . . it will repay us for the outlay which, by the way, is surprisingly low.” Several experts on the subject have declared that while “group life insurance alone will not prevent strikes,” it should lessen the “probability of strikes and labor difficulties.”

In selling group insurance to corporations, the insurance companies emphasize any and every motive that will appeal to the employer. One of them, instructing its salesmen as to the proper approach to the employer, says, “an employer’s interest may be prompted either by the expectation of advantage to himself, or from the altruistic desire to benefit his workers and their dependents. The plan will in fact consummate both intentions.” But in selling the plan, they add, “We do not hesitate to put the heart appeal first. . . . Even the cold calculating man who usually is a stranger to benevolent impulses, will not object to being considered generous, and will respond in some degree to the appeal which takes his generosity for granted.”

The labor union attitude toward company insurance has been invariably one of hostility, especially in recent years when the unions have been trying to create their own insurance and actuarial agencies and write their own group insurance. Their attitude has been expressed in official resolutions and pronouncements. Without reproducing any one of these in full, we may summarize their substance.

In the first place, labor contends that this form of insurance, in spite of its advertised cheapness, is really dearer than many of the insurances given by the workers’ own unions. H. P. Daugherty, second vice president of the Brotherhood of Locomotive Engineers, shows that the insurance offered by his organization is actually cheaper than the sickness and

<sup>4</sup> New York Times, January 27, 1926.

accident insurance offered by one of the large eastern railroads.<sup>5</sup>

Labor also points out that the policy is cancelable at the will of the company and without the consent of the worker, and, of course, gives the worker no contractual rights of any kind. It ceases automatically when the worker leaves the company.

Aside from its effect upon workers' powers of collective bargaining and general labor movement solidarity, it may also work a hardship on the individual worker who is led to believe he is getting insurance in this way, and finally awakens to find himself without any insurance at all. Some time ago a large Cleveland corporation provided group insurance for its workers. Many of them depended on this and provided no other insurance for themselves. The company later "changed its mind," withdrew the master policy, and the workers were left without insurance. "Some in the meantime had become uninsurable and were unable to secure other insurance."<sup>6</sup>

Practically all the labor critics agree that group insurance is usually instituted as a sort of bonus or really as a substitute for an advance in wages. Charles P. Ford, secretary of the Brotherhood of Electrical Workers, points out that the employer not only gains intangible rewards, such as advertising value, from insurance, but "he saves the difference between the cost of the group insurance on the employees and the wage increase . . . which he is excused from giving because of the fact of giving them this benefit." Mr. Ford asks, "Should the employee receive a wage increase, would it ever be as small as the cost of his insurance under a group plan?" The answer is obviously, "No." The group insurance is a saving to the employer and a loss to the worker.

Again, it is stoutly contended by labor that this form of

<sup>5</sup> *Locomotive Engineers' Journal*, January, 1927, p. 11.

<sup>6</sup> *Locomotive Engineers' Journal*, May, 1926.



insurance has been used in attempts to tie workers to their company, to keep them from striking and demanding better wages and conditions. Many unions have had costly experiences with companies that threatened their workers with loss of all their benefits if they went on strike. Workers that have struck have had their benefits immediately canceled. Herman Frank, an expert in the field, declares, "that this insurance, as it is practiced by the large-scale employer, is in its very nature paternalistic, a mere contrivance to benefit the employer by reducing his labor turnover and tying the employee to his employment."<sup>7</sup>

Finally, a strong argument of broader significance is made by the *Brotherhood of Locomotive Engineers' Journal*. It charges that the old line insurance companies "frequently use their huge funds, largely accumulated from workers' premiums, to oppose the principles of political and economic progress for which labor is striving." The Metropolitan, for example, has engaged in a nation-wide campaign against publicly owned and operated power and light plants. The *B. of L. E. Journal* shows that this campaign is unscrupulous, misleading, and false (Oct., 1926, p. 727). And not only by propaganda, but by the use of the enormous funds collected in their treasuries, do these great insurance companies affect thousands of enterprises and hundreds of thousands of workers. To add to their strength is only to add to the strength of the private bankers who manipulate the great reservoirs of social credit involved in the assets of these companies and thus to strengthen a force working against the whole labor and progressive movement both in industry and in political life. The great insurance companies have been the foremost opponents of workmen's compensation laws and similar legislation. They have fought without ceasing against every form of social insurance ever introduced in the legislatures of the United States.

<sup>7</sup> *Labor Age*, August, 1926, p. 5.



*Labor Insurance Companies*

As an answer to the group insurance of the employers the American trade unions have taken steps to organize their own insurance enterprises. Many of the unions—some eighty-five per cent of them—have some sort of death benefits and insurance. During 1925 the A. F. of L. unions, and certain others, paid out in sick and death benefits nearly \$13,000,000. But the A. F. of L. has long considered the advisability of launching separate insurance companies founded on a sounder actuarial basis than that underlying some of the separate sick and death benefit funds. The sweep of employer group insurance apparently had a great deal to do with the first union venture in this field. At least Edward J. Evans, one of the trustees of the Union Coöperative Insurance Association, founded in 1924 by the International Brotherhood of Electrical Workers, so contended:

“Our organizers went to shops throughout the country and everywhere we found that the cheap group insurance offered by the boss had the effect of tying the men to their jobs and making them afraid to join the union that would protect their interests. For two cents per worker per day the employer could get certain kinds of group insurance and then save fifty cents to one dollar per worker per day in wage increases that the union would have obtained for the men. If the man quit or was fired his insurance quit. So we formed our own company and offered better group insurance at cheaper rates to hold good not merely while the worker is with a particular employer but just as long as his union card is paid up. Union membership grew, wage raises followed, and so we beat the boss at that particular game.”

This summarized the professed reasons for the organization both of the Union Coöperative Insurance Association and the more recent Union Labor Life Insurance Co. directly sponsored by the A. F. of L. and capitalized at \$700,000. Both companies write both individual and group insurance. The railroad brotherhoods have also had their insurance services for many

years. The Locomotive Engineers Insurance Association, which carries more than \$200,000,000 insurance for the members of the Brotherhood of Locomotive Engineers, has been in the business nearly sixty years. But the Union Labor Life Insurance Co. represents the first attempt by a number of A. F. of L. unions to establish a company to write all kinds of life insurance for workers throughout all the American unions.

Briefly, the A. F. of L. insurance company enthusiasts point out:

(1) that they can provide cheaper insurance than the regular insurance carriers, as they have no fat salaries, men on commission, or heavy overhead costs. The officers of the Union Labor Life Insurance Co. draw their salaries from their unions and receive only nominal amounts from the company;

(2) that the worker who takes a policy in their company can maintain his independence, can strike or quit a job without losing insurance, and that the worker, thus released, can make more effective demands on his employer for wages, hours, etc.;

(3) that it stabilizes the membership in the unions, assists in the prompt payment of dues, and establishes a feeling of confidence in the unions;

(4) that as a result of this added respectability and stability the union will attract new members and friends, for it will come closer to the lives of the non-union worker by offering him something that he needs to provide for his family;

(5) that the money accumulated in the labor insurance company can be used for workers' housing projects and other enterprises of advantage to organized labor.

These are some of the reasons advanced by labor officials who are backing the labor life insurance companies. President Green, however in a foreword to an official report of the A. F. of L. committee which recommended the formation of an insurance company, warned the members not to be carried away by the purely business side of the enterprise. He said: "We

regard such supplementary activity as important but we urge that all such undertakings be conducted as supplementary to the trade union movement and necessary precautions observed to maintain functional perspective.<sup>8</sup>

It is just this "perspective" that the Left Wing critics of the A. F. of L. insurance enterprises contend will not survive the advent of the labor official into the insurance business. Such leaders as W. Z. Foster, head of the Trade Union Educational League, contend that the Union Labor Life Insurance Co. will weaken the fighting spirit of the unions and paralyze the whole labor movement. They point out that the company is not really coöperative and will never become so, that the rank and file of the workers can have no control over it, that it will divert the workers' interests into business enterprises instead of into the job of organizing the unorganized, that it will cultivate class peace and foster the notion that workers can somehow buy their way out of capitalism. They predict that the company will produce dangerous relationships between the labor leaders and capitalistic financial institutions, and lead to all sorts of alliances against the interests of the rank and file of the workers. They point to the labor banks as having already led to such dangerous alliances, notably the banking and investment companies of the locomotive engineers. The union insurance company will also strengthen the bureaucracy and will give it new sources of patronage and money with which to fight the Left Wing and destroy democracy in the unions. They contend that agents of the labor bureaucrats, living off insurance commissions, will be used against the radicals in intra-trade union fights.

In place of this kind of labor insurance companies, the Lefts advocate genuine coöperative insurance companies and credit unions, each member being permitted but one share and one vote. They also advocate compulsory social insurance by the government, a levy on the corporations providing the bulk of

<sup>8</sup> *Labor Age*, April, 1926, p. 5.

the funds, and with the labor unions fully represented in their administration.

The general observation may be made that state insurance of this sort would go a long way toward undermining the employers' "loyalty insurance" calculated to cultivate subserviency. It would make the workers freer and more mobile to wage their primary struggle for better wages and working conditions and more control in industry. The labor movement should extend and deepen its efforts to obtain various forms of governmental social insurance similar to that provided by law in most European countries.

### *Industrial Pensions*

Possibly 600 companies in the United States pay their aged workers some sort of pension for long and loyal service. A great deal of competent research has been made into this subject and substantial reports have been prepared dealing with every aspect of it.<sup>9</sup> In this volume we are interested only in a brief summary of the extent and adequacy of these employer-given pensions with particular emphasis on their employment in the indirect offensive against labor unions.

The most thorough and up-to-date study of these pensions has been made by Abraham Epstein for the Pennsylvania Old Age Pension Commission. In his book, *The Problem of Old Age Pensions in Industry* (1926), he states that there are in force at present about 400 formal industrial pension plans in companies employing about 4,000,000 workers. However, including both the formal and informal industrial pension systems, there are, by the most liberal estimate, about 90,000 individual workers in this country who are actually receiving

<sup>9</sup> United States Department of Labor: *Monthly Labor Review*, January, 1926; *Industrial Pensions*, Report of Special Committee on Industrial Pensions, Merchants' Association of New York, 1920; *A Study of Employee Pension Plans*, National Metal Trades' Association, 1927.



these pensions. He estimates that the total amount spent in 1925 for all industrial pensions was about \$43,000,000, and that the average pension brings the worker about \$485 per year.

Although the development of these pensions has been rapid during the last 15 years, 88 per cent of all the plans in industrial plants having been established during that period, the number of workers covered is still not impressive. "About 16 per cent of all employees in the manufacturing and mechanical industries, transportation, extraction of minerals and clerical occupations have the expectation of being paid old age pensions by the concerns for which they have worked."<sup>10</sup> About four-fifths of all the workers covered by pension plans are in the metal and public utilities industries including railroads, and most of these are working for large, prosperous, and well-established corporations. Nearly 75 per cent of the companies covered in the Epstein study employ over 1,000 workers each. Such large companies as the Pennsylvania Railroad have over 8,000 pensioners or retired employees and pay out over \$5,000,000 a year in pensions.

An almost endless variety of pension plans exist in American industry but the most common is known as the "formal discretionary plan, under which the company promises to pay a certain sum monthly to those workers who reach 65 or 70 years of age after having worked with the company for a given term of years, usually 20. A less common plan is that under which the worker contributes something out of his wages to the pension fund.

As is usual in the case of other welfare schemes, one of the reasons behind the establishment of company pensions is the fear that the state will intervene to regulate and perhaps put a heavier burden on the employer through taxation or levy. The position of the National Industrial Conference Board, is made clear in a news release covering its report, *Industrial Pensions*

<sup>10</sup> Epstein: *op. cit.*, p. 4.

*in the United States*: "Caring for the workers who have grown old in its service is a problem for industry to work out for itself . . . this is in harmony with American ideals of individual initiative and independence." And they might have added, "it prevents state legislation which we fear as we fear the loss of our profits."

The professed reasons for the establishment of company pension plans are given in the Conference Board report: "Incentive to long service and reduced labor turnover," "encouragement of loyal service," "restraining influence," "elimination of superannuated," "stimulus to efficiency in the active force," "psychological and moral effects," are the section headings of the chapter dealing with the purposes of pension plans.<sup>11</sup> We shall see later what some of these mean.

The Copper Queen Branch of the Phelps Dodge Corporation which has a pension plan in operation declares that "it is not only popular with the employees but it has been helpful in stimulating loyalty and promoting good will." This is a typical conclusion which could be duplicated for scores of companies.

Altogether apart from the uses to which the plans have been put and the motives of the companies which have established them, students of industrial pensions have found serious limitations which show the inadequacy of these plans to protect the American worker in his old age. One is the fact that they require from 20 to 25 years' service with one company, when it has been shown by authoritative statistics that under the conditions of modern industry, "less than 4 per cent of the male workers in industry remain with the same employer for 20 years or over, and only less than 3 per cent of the women workers stay that long on one job."<sup>12</sup>

Another limitation from the point of view of the individual worker is the fact that the usual pension is a pure gratuity and is not guaranteed. The worker has no legal right to claim it

<sup>11</sup> National Industrial Conference Board: *Industrial Pensions in the U. S.*, pp. 24-30.

<sup>12</sup> Epstein: *op. cit.*, p. 6.

even when he has succeeded in putting in his twenty or twenty-five years of service without discharge. And even should the company begin to pay the worker the promised pension, it has no legal obligation to continue payments. It can suspend payments at any time and the old worker has absolutely no redress. As one plan puts it: "Pensions may be suspended or terminated at any time by the directors, if in their judgment the conduct of the pensioner may seem unworthy of the bounty." This phrase seems to contain the very essence of all corporation paternalism.

This lack of contractual obligation was disastrously illustrated in the case of the pensioners of Morris & Co., Chicago meat packers. When the Morris firm was absorbed by Armour & Co., in 1924, the latter refused to shoulder the obligation, and some 400 aged workers were left "out in the cold" even though they had contributed three per cent of their wages to the pension fund and had due them at the time about \$7,000,000. Some of the workers took the case to the courts where they found to their sorrow that the Morris promises were worthless and that the pension plan had created no contractual liability on the part of either Morris & Co. or the company which had absorbed it. The attorneys who drew the original plan had been clever enough to create a Pension Fund in charge of a Pension Committee. The legal obligations were thrown on this committee in such a way as to save the company's treasury from any obligation. Incidentally, it may be noted that in presenting their claims to the courts, the deceived employees asserted that they would not have contributed to the fund, accepted the pledges of the company, or *rested content with the small wages paid them*, had it not been for their belief and understanding that their pensions would never be cut off. They also admitted that "the pension fund was designed to avert strikes and secure loyalty and uninterrupted service on the part of the employees."

This case also serves to bring out a third weakness. Most of

the private or company pension plans now in existence are financially unsound. Insufficient funds are set aside to cover the peaks of liability and no actuarial reserve basis is used. Most of the companies are promising much more than can be provided for out of the revenues set aside for the purpose. A general breakdown of these plans is in prospect unless a thorough reorganization is effected. Gurden Edwards, publicity director for the American Bankers Association, advocates "radical measures of relief" to save the present plans and to prevent other workers from disillusionment. Like other spokesmen of the corporations, he fears the approach of state legislation if the private paternalistic plans are permitted to fail.<sup>13</sup>

Speaking generally, the whole company pension business has one major limitation, implicit in the foregoing criticism. It is summed up in the classic comment of Luther Conant, pension authority, referring to the common "if and maybe" type of pension which, he declares, says in effect to the worker:

"If you remain with this company throughout your productive lifetime; if you do not die before the retirement age; if you are not discharged, or laid off for an extended period; if you are not refused a pension as a matter of discipline; if the company is in business; and if the company does not decide to abandon the plan, you will receive a pension at the age of —, subject to the contingency of its discontinuance or reduction after it has been entered upon."<sup>14</sup>

Sufficient investigations of company pensions have been made to convict the employers out of their own mouths. At least, their pension restrictions and regulations have given organized labor grave cause for concern as to the effects of the pension upon the independence of the worker and hence his disposition to join a trade union.

<sup>13</sup> Gurden Edwards: "Industrial Pension Plans Collapsing," *Annalist*, November 20, 1925.

<sup>14</sup> L. Conant, Jr.: *A Critical Analysis of Industrial Pension Systems*, 1922.



One writer, a stout exponent of pensions, summarizes labor's objections:

"Organized labor believes that the purpose of the old age pension . . . is to make the man satisfied with his lot and to hold him to his job. Furthermore to the minds of the labor people its purpose is to discourage employees from joining the union by offering instead an independent old age, thus enabling the employer at the same time to dictate the wages and working conditions."

Just how the "independent old age" is obtainable on \$485 per year—the average pension now in force—is not too clear, but certainly the other words in the foregoing statement express the truth. Labor knows that a union has one effective way of exerting power, and that is through the strike or the threat of strike. But strikes are completely taboo to the prospective pensioner. Not only in the threatened rail tie-up in 1916, in the railroad shopmen's strike of 1922, in the steel strike of 1919, in various textile and leather workers' strikes, in strikes against the Pullman Co., but repeatedly throughout labor's recent history—in the strike of the engineers and firemen on the Western Maryland, for instance—the private pension has been used as a lash to hold the worker in line or to turn him into a strike-breaker. It works in two ways. The man who looks forward to receiving a company pension in a few years is deterred from going out with his fellows. The man who has already been retired on pension is forced back into the service to act as a strike-breaker.

The wording of the pension regulations in most cases makes the strike a misdemeanor which immediately terminates the pension rating. The Conference Board report gives one of the provisions which reads as follows: "If an employee, after leaving the service voluntarily, or by participating in a strike, shall be reëmployed, he shall be considered in his relation to the Pension System as a new employee."

This comes under the section headed "restraining influence."

A similar provision is contained in the plan of the anti-union Ward Baking Company: "Employees who leave the service of their own volition or under stress of influence inimical to the company or when their services are required by the company, or who are for misconduct discharged by the company, thereby lose all benefits of the pension system."

Labor could put its arguments against the paternalistic pension in no better words than those of the Conference Board's report in reviewing the "trade union's attitude":

"A pension that can be granted or withheld at the discretion of the employer without any corresponding rights on the side of the employee is considered demoralizing since it makes for favoritism and subserviency. It tends to deter the worker not only from going on strike with his fellows for what he may regard as a just demand, but even from asserting his demand as an individual with any degree of independence."

The story of organized labor is packed with instances of men who have lost their pensions for displaying some manhood and independence. The latest case to come to public attention was that of Jeremiah Minner of New York who retired from service as a West Shore Railroad ferryboat pilot in January, 1927. The report of his retirement at the age of 70, after 43 years' service, mentioned the fact that he would receive a pension covering only six years of service instead of 43. "This is because in 1920, with fellow pilots, dock workers, deck-hands and others, he went on a strike . . . therefore 37 years of his service will count for nothing in his pension." The railroad company when interviewed, coldly observed that it was "his own fault." He had "walked out voluntarily."<sup>15</sup>

As a remedy for the iniquities of industrial pensions, organized labor has several suggestions. First, the labor unions themselves may be able to force enough wages out of the employers so that old age dependency will not result. If this sounds utopian and fanciful, labor proposes secondly to collect

<sup>15</sup> New York Times, January 30, 1927.

old age pension reserves out of its own funds. Certain unions now provide modest pensions for their superannuated members. The Bricklayers' Union in 1925 paid out nearly a million dollars on this account. The Locomotive Engineers paid over a million, the Typographical Union a million, while lesser amounts were paid by the Street Railway Employees, the Printing Pressmen, the Granite Cutters, the Locomotive Firemen, and the Bridge and Structural Iron Workers. But the amounts involved in the nearly \$3,000,000 of labor union pensions seem pitifully small when compared with the \$43,000,000 paid out last year by several hundred great corporations to their subservient and loyal old men.

A still less promising suggestion is the third one, that labor somehow secure representation on the various boards and committees administering the pension funds for the corporations. In this way they would hope to gain some control over them, offer improvements, and generally safeguard the interests of the workers, incidentally insisting that the plans be non-contributory and that the funds be gathered exclusively from the employers.

All of these means of facing the problem seem entirely inadequate to meet the growing feudalism of company pensions. The employers can easily smother the unions' attempts to gain on them in these ways. The one sound "way out," most of the impartial experts agree, is through legislation. Labor has gone on record repeatedly in favor of state old age pensions but the leaders of organized labor, with a few notable exceptions, have done little to carry on the fight for this sort of pension. In fact, some of them, like Matthew Woll, Vice President of the A. F. of L., have permitted themselves to be played by the enemies of state old age pensions and defenders of the company plans. The National Civic Federation, of which Woll is Acting President, has been one of the most unsparing opponents of such remedial pension legislation as is proposed by the Pennsylvania Old Age Pension Commission, the chairman of which



is James H. Maurer, President of the Pennsylvania State Federation of Labor. He has taken open issue with Woll for lining up with the reactionary interests who are fighting this legislation. In a letter addressed to Woll in February, 1927, Maurer reminds him that the A. F. of L. has frequently adopted pro-pension resolutions, that Woll's friend Ralph Easley, head of the Civic Federation, has "an all too long record of opposition toward social legislation," that the Civic Federation's "investigation" into pensions "was conceived in iniquity, bias and untruthfulness," and that the executive committee of this Federation is packed with "notorious anti-union and open shop employers." He asks Woll how he can permit himself to be a part of an organization which "underhandedly is working against such legislation?"

This is not the first time that officials of important unions in the A. F. of L. have been used by Ralph Easley in his unscrupulous campaigns against pension legislation. Several times during his life the late Samuel Gompers was placed in a very difficult position by Easley who used the head of the American Federation of Labor as a cloak for his attacks on this legislation.

There can be no doubt that in spite of the "pious resolutions" passed from time to time by various unions, many of the leaders of the American labor movement have neglected to support this legislation and similar beneficial measures. Some of them have absorbed the antiquated attitude of the Civic Federation and the National Industrial Conference Board that such laws would be "socialistic." They are stupidly afraid of "state paternalism" while by their inactivity they have left open the door for the most vicious forms of corporation paternalism. They have followed false and out-of-date notions with respect to state legislation and have consequently helped to block the sort of progressive social insurance laws that have given at least a modicum of protection to the workers in most European countries. The fact that intelligent legislation of



this character has been passed abroad has been one of the chief factors in keeping the employers there out of the "welfare" business. Lacking these protective laws, the unorganized American workers have naturally grasped at the various crumbs that the employers have thrown them in order to keep them "contented" and out of the unions.

## CHAPTER IX

### PERSONNEL, WELFARE AND SERVICE ACTIVITIES

IN addition to company unions, stock ownership, group insurance and company pensions a wide range of other industrial welfare, personnel or service activities remains to be reviewed if we would begin to understand the forces that the employers are capable of throwing into the field against organized labor. Indeed these various devices have already driven back American labor on almost every front, and there is at present no indication of their relenting.

By welfare work we mean, of course, all sorts of voluntary services provided for workers by companies without the compulsion of law or trade agreement. Those activities which have to do with avoiding accidents, setting standards of sanitation, etc., and which grow out of legislation are not regarded as welfare, although the employers often attempt to present such measures in a manner that makes them partake of the nature of free-will offerings.

Whether these devices were adopted as a defensive move against unions or whether they have developed, as many of them undoubtedly have, out of a mixture of motives ranging from pure humanitarianism to "good business reasons" need not detain us here. We may note at the outset, however, that practically all large American corporations have established personnel or service departments and have engaged superintendents of personnel, welfare directors, industrial relations managers or labor administrators to conduct the work of these departments. The particular device which each firm has adopted has depended upon its size, the type of workers in-

volved, the degree of unionization, the skill and ingenuity of the labor manager, and a dozen other factors. These schemes were in particular vogue just after the war, and although some have since been abandoned the larger corporations especially have maintained the more profitable devices installed during that period.

In their recent book, *The Secret of High Wages*, two Britishers, Austin and Lloyd, observe that it is one of the cardinal principles of industrial management in America that "every possible attention be paid to the welfare of employees." They tell the British employers that the rule here is for a firm to "look after its men and increase the welfare service to them almost up to the point—but naturally not reaching it—which might be regarded by the men as interference with their personal freedom." The result of all this, they point out, is that it "builds up an *esprit de corps* in an organization and provides it with a soul." They add that "the expense is trivial but the reward is great." All of these observations must doubtless have been a source of much amusement to the heads of some of our great non-union corporations whose first and only interest is profit and whose only contact with these visiting Englishmen was through their "public relations" representatives.

But before examining the "souls" of corporation managements let us note some of the activities included within the scope of personnel management or personnel administration which, of course, is a somewhat broader term than mere welfare. In fact most up-to-date personnel managers regard the term "welfare" as carrying a misleading connotation, a word which designated roughly the handout philanthropy of an earlier and less discriminating period. For example, Ernest E. Burton, in his book on company unions refers to a sort of evolution from "welfare," through scientific management, the "safety movement," and vocational guidance down to the present superscientific personnel administration with special

emphasis on the company union. For the words "welfare work" have been substituted a great many others such as, "development work" and "service activities" all under the general heading of personnel administration.

Various arbitrary classifications of these activities have been made by the hundreds of writers on the subject. Indeed, the business has developed such an extensive and high-sounding literature that heavy bibliographical volumes have been prepared to cover it.<sup>1</sup>

The main divisions of the subject in the Rossi book are as follows: Personnel Administration, Research, Employee Service, Rewards, Administrative Correlation, Joint Relations, the latter dealing, of course, with company unions.

The *Management Review*, organ of the American Management Association, makes a slightly different arrangement of personnel activities as follows: Employment—classification, selection, tests, turnover; Training and Education—schools, libraries, apprenticeship, employee publication, bulletin boards; Employee Service—hygiene, recreation, lunch rooms, stores; Benefit Systems and Incentives—group insurance, pensions, vacations, profit sharing, wage plans, suggestions, stock ownership, thrift.

The subdivisions under each of these headings are almost innumerable. Any one who looks over the literature will find frequent references to service pin associations, swimming clubs, boy scouts, Camp Fire Girls, housing, company gardens, day nurseries, women's aid circles, soccer teams, booster clubs, minstrel shows and square deal societies. He will come upon employers who have organized for their workers—bands, bowling leagues, visiting nurses, mutual aid societies, legal assistance, dramatic clubs, thrift clubs, sewing circles and libraries. He will take note of Sunshine Committees, Christmas treats, cafeterias, clam bakes, plant song leaders, dispensaries,

<sup>1</sup> William H. and Diana I. Rossi: *Personal Administration; A Bibliography*.



"dividend days," educational departments, "June walks," athletics and sports of every sort, churches, stores and cobbler shops, kindergartens, amusements and diversions by the dozen. If the worker is employed at the Endicott-Johnson shoe plant he will find himself the participant in "George F. Days" in honor of the "Big Boss." In any one of a score of factories he will belong to a committee designed to develop the "Babbitt Spirit," Mr. Babbitt being the owner of the concern. The worker may also be a member of a "flying squadron," a fellowship club, a savings committee, a suggestion league, an Americanization class, or a "coöperative" purchasing committee. He may find himself the recipient of a turkey at Christmas or a gold watch at the end of twenty-five years' non-strike service. He may have his instincts studied, his incentives tapped, his soul "psyched" by the appropriate department. He will be vocationally guided, time-studied, personality-developed, job-analyzed, and first-aided. He will be given "advice on vacation plans," and have phonograph music played to him while he works. (One writer discovered that in an iron foundry he visited it was arranged that the molders, presumably not members of the International Molders' Union, should eat their lunches in "a specially constructed rose garden equipped with canaries in cages.") There seems to be no limit to the varieties of camera clubs, coöperative plans, veterans' associations, brotherhood clubs, bible classes, Greek letter fraternities, domestic science matrons, and even golf courses and club houses that certain corporations have provided one group or another of their employees during the last fifteen or twenty years. One company even provides its female workers with a "Dean of Women, who supervises their work and play."

The modern personnel administrators with their elaborate techniques and hifaluting phrases will resent this unscientific mixing of purely charitable gratuities and their "higher astrology" as Stuart Chase calls it. No persons profess to shudder more at the word "welfare" than do these gentlemen

of the personnel fraternity. But in order to get into the subject without too many preliminaries it is necessary to lump many items and make not too nice distinctions. Especially when the objectives and purposes of all these devices are much the same—in the words of Ordway Tead<sup>2</sup> “to discover methods which will create identity of interests where divergence of interests existed before. The creative emphasis is uppermost; the desire to integrate and harmonize the aims of the workers, managers and owners being in the ascendant.” Whether the employer desires to “lead” and “train” his employees and “improve their mental atmosphere” according to the methods of personnel managers, or whether he simply wants to play Santa Claus to them, the underlying and unconscious motives are about the same.

In the same article Tead declares that “personnel management to-day is thus infinitely more than ‘employment management,’ which is concerned only with successful selection and placement. Probably between 3,000 and 4,000 plants employ individuals who specialize in selection. Probably 800 to 900 plants to-day have medical departments with full or part time nurses or doctors.” He estimates that there are safety engineers in over 1,000 plants and training directors in several hundred more. All of this is a part of the general personnel movement. There is no means of estimating how many hundreds of personnel administrators, dealing with the many other activities above mentioned, there may be in other plants.

Those who have made careful researches into these activities find practically every large corporation engaged in them in one form or another. Abraham Epstein, Research Director of the Pennsylvania Old Age Pension Commission, after examining the “welfare” practices of over 1,500 of the larger American corporations says:

“Eighty per cent of these corporations, employing more than 4,000,000 workers, have adopted at least one type of industrial

<sup>2</sup> *Survey*, December 15, 1924.

welfare work, while almost half the firms have inaugurated comprehensive schemes of service activities for the protection of their employees against various emergencies. About one-fiftieth only of the total had undertaken no welfare measures.”<sup>3</sup>

When Ida M. Tarbell made her study of *New Ideals in Business* some years ago she mentioned a large number of companies which had already adopted some form of welfare. Among them, it may be recalled, were such outstanding anti-union corporations as the Bell Telephone Co., Crowell Publishing Co., the Eastman Kodak Co., Edison Illuminating Co., Fairbanks Manufacturing Co., Ford Motor Co., Frick Coal Co., Illinois Steel Co., International Harvester Co., National Cash Register Co., National Tube Works, United Shoe Machinery Co., Youngstown Sheet and Tube Co., the Pullman Co., and the United States Steel Corporation. At that time more than a thousand important companies were listed as extensively interested in various forms of welfare activity. The number has since increased enormously especially during the war days when labor was scarce and had at any cost to be kept happy and contented.

### *Cost of Welfare and Personnel Work*

What do the multifarious welfare and benefit schemes cost the employer? We shall note that many corporation executives say that it is all very inexpensive, that it is a “good investment,” that it is “cheap at the price.” But what does it actually cost them in terms of their total payroll?

In answering this question we are again indebted to Abraham Epstein of the Pennsylvania Commission on Old Age Pensions. In collecting pension data from more than 500 companies Epstein asked them to give their per capita expenditures and percentage of total payroll paid out for all forms of welfare work including pensions, recreation and educational work, in-

<sup>3</sup> *Current History*, July, 1926, p. 516.



surance, mutual benefit associations, cafeterias, medical attention, relief departments and the like. He found from the replies received that 514 concerns employing a total of 3,075,034 workers had expended during the fiscal year 1925-26 the sum of \$52,408,384.13, "an average of \$17.43, or approximately one per cent of the payroll, on all their welfare work."

In other words the average worker in these firms received \$17.43 in various forms of welfare during the year, or roughly about a nickel a day. That was apparently sufficient to keep him subservient and well disposed toward his corporate employer.

Compared with European countries this is certainly letting the American employer off at bargain prices. For as Epstein points out, "while abroad the employer's contribution to compulsory social insurance systems is generally about five per cent of the total payroll, but few concerns in the United States spend more than one per cent of their payrolls on welfare practices." <sup>4</sup>

The more one considers these facts the more one realizes the essential camouflage of the employer's welfare plans created to give the worker the illusion rather than the substance of relief.

### *Why Welfare? Some Company Motives*

We have already surveyed some of the motives that lie behind company unions, stock ownership schemes, group insurance and pension plans. Let us see if the same points turn up in our search for the motives behind "welfare" generally.

The corporations and their spokesmen as usual claim the very best intentions and the very highest purposes. They talk about "Contact, Conference, Confidence and Coöperation" as the guide posts of personnel work.<sup>5</sup> They express very gener-

<sup>4</sup> *New Republic*, April 6, 1927, p. 193.

<sup>5</sup> Arthur Penon: *Manufacturers' News*, May 20, 1926, p. 7.



ous sentiments about "service and profit walking hand in hand," about "human engineering" and team work and the Golden Rule. One hears that the "employees' transcendental ethical sense" is being developed. Industry is being "humanized"; the "man factor is being intelligently handled"; the spirit of coöperation and family unity is said to be at work in the plant, and the "remedy" is to be found "not in any one reform, but in the gradual readjustment of our relations with each other, with the physical world around us, and with God."<sup>6</sup>

All this sounds thoroughly maudlin to one with some knowledge of American labor relations. But the highest men in the "profession" appear to resort to this kind of language. For example, E. K. Hall, Vice-President of the American Telephone and Telegraph Company, writing for the *Open Shop Review*, published by two of the most outspoken anti-union employers' associations in the country, says, "We have had too damned much Blackstone and not enough New Testament. That is one of the things that is the matter with industry . . . hundreds of industries in this country have already gone a long way in working out this relationship on a coöperative basis, and have been bringing the men in and onto the team."

Leaving aside for the moment these magnanimous intentions and noble words let us examine some other welfare motives both hidden and expressed. The first one might be summarized in the words of the head of the Steel Corporation—"welfare work pays." Of course some of the items more than pay for themselves, the only expense being for the initial "sales talks" or for the personnel director who supervises the installation. The average corporation using welfare would probably phrase the results in much the same words as an official of the Marion Steam Shovel Co., "We consider all the activities eminently worth while and productive of the spirit of goodwill and coöperation far beyond the expenses which they entail." Others call it a "good investment." The *Nation's Business*,

<sup>6</sup> Eleanor Kelly: *Welfare Work in Industry*.

published by the United States Chamber of Commerce, puts it more bluntly: "Every attempt at patronage by employers is resented by 100% Americans. Welfare work of employers has been a failure except when the employer frankly admitted that his motive was selfish." This is probably not strictly true but it represents a more realistic attitude toward welfare which contrasts favorably with the sentimental attitudes expressed above.

That welfare work is often used to keep down wages is another charge that cannot be denied. Even the conservative *Commerce and Finance* (Feb. 4, 1925, p. 243) admits that "some of the attempts at welfare were spurious in that they were substitutes for an adequate wage, were devised principally to tie the worker more firmly to his job, and were to a great extent empty forms devoid of spirit." Concrete evidence of this fact was produced in 1925 through a decision by the United States Board of Tax Appeals in the case of the Poinsett Mills, Greenville, South Carolina cotton manufacturers. The mill management was taxed for its expenditures for welfare work and appealed to the tax board on the ground that this money was used "for purposes connected with the operation of its business." The board in sustaining the appeal said:

"The foregoing facts show that the Poinsett mills had a consistent policy of welfare work among its employees which, as the president of the corporation testified, was necessary to produce an attitude of contentment toward the company among its employees, to equalize the lesser wage established in the section in which the company operated with a somewhat higher scale paid in other sections, and to reduce the volume of labor turnover."<sup>7</sup>

Commenting on this decision, the *Upholsterers' Journal* said:

"To us the real significance lies in the fact that by the decision of the Board the government puts itself openly behind the corporations in their efforts to put over an anti-union policy in industry and particularly to keep down wages. It does so by

<sup>7</sup> *The Railroad Telegrapher*, August, 1925, p. 831.

reducing the taxes to those who spend money to accomplish this. . . .

"Under a proper régime those who openly confess to conducting their business along the lines of the Poinsett Mills would be branded as the enemies of the nation. Instead they are rewarded by a remittance of taxes. This act of the administration is a deliberate class act and one of open enmity to organized labor."

During the days of the Federal excess profits tax a number of corporations were found to have increased their expenditures for welfare work in order to escape the tax. And during the investigation of the cost of sugar production during the war, government experts found that welfare had undergone a tremendous boom. One concern was found to have raised its outlay for welfare from thirty cents to over \$111 per employee per annum, its sole purpose being to escape the excess profits tax, while using the generous welfare plans as a lever to keep down workers' wages and prevent unionization. Indeed such welfare expenditures were considered to be even more fruitful to the company than the "goodwill advertising" extensively carried on by certain profit-swollen American corporations. The latter is also charged as a business expense and escapes taxation.

In addition to being a good investment and a dividend-paying proposition as the big companies, such as the Eastman Kodak Co. contend, welfare work can always be pointed to in an emergency as an indication of what the company *has done* for its workers even though many of the devices are properly a part of the business itself and have been recommended by engineers as a necessary expense on behalf of efficiency and production. Every time the wage increase question comes up before the company union committee, for example, the company representative can say in effect: "Look what we pay out for welfare. How can you expect us to do more than this?" Then he reels off the impressive figures representing the amounts spent for safety, housing, polo fields and plant cafeterias. To the public also the publicity agents of the corporation address



their releases concerning the generosity of the company. In case of a strike or a threat of strike the company by complaining of its workers' "ingratitude" thus publicly admits that its handouts were made in the hope of cashing in on them during a crisis. The cant and hypocrisy involved in these maneuvers can scarcely be exaggerated. With the welfare spade the company can quite easily dig itself out of an embarrassing wage situation where, other things being equal, the public might incline to the side of the workers.

#### DEVELOPING LOYALTY

"Loyalty" is, of course, the first word that falls from the employer's lips when the reasons for welfare are asked. "We must have the worker's loyalty. Welfare, properly applied, will strengthen it." One personnel manager, employed by a big Insull public utility company in the Middle West has declared that he adopted the machine politician's policy of "personal contacts" in building up his industrial relations department. Help the employees out in small things, when they are in personal trouble, and they will stand behind you loyally in the crisis. He says, "They come to us for advice on all sorts of questions and we help them out." The ideal situation to be attained may be put in the words of the *Manufacturers' Record* (July 22, 1926), in describing the southern textile serfs: "These people, inherently proud even in poverty, possessed a keen sense of honor, and this character is reflected in their intense patriotism and loyalty to their employers." There can be no doubt that welfare breeds this kind of "loyalty" which in the minds of editors of manufacturers' journals, means a nice blend of subordination, subserviency, humility, feudal allegiance, respectful homage, and, as the *New Republic* puts it, "the dutiful respect of the inferior for the superior, the unthinking response of the true and faithful and rather stupid servant, who shall not be without his reward." This abject



surrender to an emotional identification with the employer, this sycophantic relationship to the corporation is the ideal pursued by most of the practitioners of welfare. It stands out clearly in every strike situation where the scabs are proudly referred to by the proprietors of the factory as "loyal employees." It is implied in all the "happy family" propaganda issued by the human relations experts.

Welfare work is also one very good way to keep workers from discussing their real grievances. In his book on *Representative Government in Industry*, James Myers, formerly Executive Secretary of the Board of Operatives of the Dutchess Bleachery, and a liberal churchman, writes: "The Manager of Industrial Relations in a large and well-known electrical concern in the East asked me if we employed motion pictures in the plant with which I was connected. I said that we had them occasionally. 'Well,' he said, 'we have them every day at noon. They are remarkably successful. There is something about the movies that the employees can't resist. Even if they think that you are trying to put something over on them, they come in anyway. In this way we fill up the employees' time during the noon hour and keep them from getting together in little groups and talking about their troubles.'"

The same writer incidentally observes also that the clubs, Y. M. C. A.'s and other buildings provided for the workers, "are seldom, if ever, places which are open to the expression of the employee's own thought." The American Civil Liberties Union has the record of a number of cases where known members of the Industrial Workers of the World as well as less radical unions were barred from entering even the reading room and library of a company Y. M. C. A. In one instance in Maine in 1923 two radical workers were arrested by the political agents of a big lumber concern for using the "Y" facilities like all the other workers. It is also clear, as Myers points out, that "speakers who do not meet with the approval of the company are not allowed to address the employees in these build-

ings which have been 'given' to them by the company." And even Christian believers in industrial democracy are not permitted to speak frankly to the workers. Myers tells how he once addressed a ministerial conference in the rooms of an industrial Y. M. C. A. The Secretary of the "Y" asked him to speak to the workers on the same day. "May I say what I said in there?" asked Myers. "Oh, no!" was the reply of the "Y" secretary. "The company wouldn't like it—we have to be very careful about what is said in these meetings for the men."

#### PREVENTS ORGANIZATION

Care and strategy are needed to prevent workers from unionizing—and this is the primary purpose of much welfare and personal activity. "Labor shortage and the fear of unionization during the period in which organization was spreading rapidly have been principally responsible for the sudden interest in personnel administration."<sup>8</sup> H. C. Metcalfe, now Vice-President of the Continental Baking Co., phrases this motive more skillfully. Writing on the introduction of personnel practices in industry he says, "Many employers doubtless desired less irritating and indirect dealings with the working force than were possible through union agents." In other words the unions were asked to retire and permit the personnel manager to become the "labor leader" in the plant. Welfare systems used to undermine unions are described by economists like John Fitch, who tells of one introduced for the sailors on the Great Lakes by the Lake Carriers' Association, an employers' association. Along with the club houses for the sailors went the anti-union blacklist. The employment of a welfare worker to spy on clothing workers in an effort to forestall unionization is also cited by John Fitch in *The Causes of Industrial Unrest* (p. 145). Similar examples of outright union destruction through welfare channels may be found in every American

<sup>8</sup> Atkins and Lasswell: *Labor Attitudes and Problems*, p. 451.

industry. The American Woolen Co., the Pacific Mills of Lawrence, and the Forstmann & Huffmann Co., of Passaic are typical examples from the textile industry. Of course the welfare is not always successful in warding off the strike. Passaic proved that. In fact some of the greatest strikes, like the steel strike of 1919 have occurred in places where the most welfare work—at least of a superficial kind—was carried on.

Preventing trade unionism and “driving out the radicals” have become almost synonymous functions, for the radicals to-day are among the most tireless workers for the unionization of the unorganized. Some of the advocates of welfare make it clear that they aim directly at the radicals when they introduce their schemes. In an article in *Industrial Management* (Feb. 1925, p. 92) headed “Management’s Greatest Opportunity—Personnel Directors Tell How Common Sense Management Policies are Driving the Radicals out of the Ranks of Labor,” Will G. Caldwell says that during an unemployment period when there is a plentiful supply of labor, “it is indeed a great opportunity for management to prove to labor that the agitator, the organizer and the ‘red’ has no place in American laboring circles—that labor’s best bet is in management itself.” The “organizer,” presumably the regular trade union business agent, provided he is an active “agitator” for the union, is apparently in a class with the conscious “red.” Both should be eliminated, say the personnel professionals. Others urge that “radical appeals” should be studied and the “fighting class of labor union” done away with by providing the workers with some sort of psychological identification with management through welfare activities. Ralph Easley, Chairman of the executive council of the National Civic Federation which operates a welfare department and circulates the welfare literature of the United States Steel Corporation, sums up his belief in this sort of work as a way to meet radicalism when he says, “there is perhaps no better antidote for radical attacks upon present in-



stitutions than intelligent, genuine and wisely directed welfare work."

Another point stressed by employers in discussing welfare work is that it prevents what they consider restrictive and unfavorable legislation and regulation. To be able to point to a certain amount of spurious welfare work is often to deceive the legislators and to convince them that state action to protect the workers is unnecessary. Undoubtedly a great many such services are inspired by the fear of what the "uplifters," as they call persons working for decent social legislation, health, insurance, workmen's compensation, etc., may do to the corporations if they fail to grant a few apparent concessions to their workers. Abraham Epstein observes that "the most extensive development of the major features of present day 'welfare work' parallels the period of agitation for protective labor laws." One may also attach some importance to the fact that corporations called before public bodies to explain the high price of their products, etc., are likely to stress the wonderful welfare opportunities accorded their workers. For example, the Chairman of the Board of Directors of the Standard Oil Company, testifying before a Senate Committee investigating the high price of gasoline, laid much stress on stock ownership, the "industrial relations plan," the annuity plan and other "high spots," as he called them, of the company's welfare and personnel service.<sup>9</sup>

We may note also that welfare features are often dwelt upon by companies in advertising for workers. Though the wages may not be anywhere near adequate the company often hopes to attract a "reliable grade of workers" by pointing out the advantages of the employment it offers. The Brooklyn Manhattan Transit Corporation of New York in its advertisements for motormen and conductors in 1926 promised not only steady work but "insurance, pensions, free medical attendance, and sick and death benefits." Some feudal textile companies in the

<sup>9</sup> *Stanolind Record*, March, 1923.



South have also used the long list of welfare advantages in advertising for "help."

The general public advertising value of certain welfare plans has already been mentioned. The effect upon customers as well as workers is to be considered by the company. Underneath a picture of the shop band of the Chicago & Northwestern Railroad, appearing in the *Manufacturers' News* of Chicago, we read: "A surprisingly large number of 'hard-boiled' employers have come to realize that musical organizations among their employees not only make for increased good will and reduced labor turnover, but create a positive advertising value in the way of impressed patrons."

#### THE MOTIVES SUMMARIZED

In his thorough volume on *Employee Welfare Work*, L. A. Boettiger sums up most of the above-mentioned motives animating corporations when they introduce welfare programs. Some of them are, to—(1) increase productive efficiency; (2) reduce labor turnover; (3) attract a desirable grade of labor; (4) advertise the business; (5) reduce strikes and labor difficulties; (6) lull workers into a feeling of contentment with conditions which would otherwise be vigorously protested; (7) provide palliatives for a low wage; (8) avoid state regulation by furnishing the argument that it is not needed; (9) disrupt the discipline of unionized labor; (10) reduce taxes on profits by artificially inflating costs. There are also the more openly proclaimed motives touching on the benefits to humanity and to the workers. But they all are reducible, in the opinion of Boettiger, to one—the desire to promote the highest efficiency of production, and to produce the largest possible profits for the owners of industry.

Finally we may observe that like the company union the welfare and personnel approach is thoroughly endorsed by all the anti-union, open shop organizations in the country. The

National Association of Manufacturers, the National Metal Trades' Associations and other militant employers' bodies look upon these methods as very practical steps toward the solution of the bothersome "labor problem." And perhaps the most ardent advocate of the whole welfare program—and a concern that has made hundreds of thousands of dollars out of pseudo-welfare installations—is the notorious Sherman Corporation, Engineers, mentioned in Chapter V. John F. Sherman, head of this "spy agency" writes frequently for the employers' magazines. One article in *Industrial Management* (January, 1926) was entitled, "Analyzing and Rebuilding Employee Attitudes." In one of the recent sales booklets<sup>10</sup> of this labor spy company we find reference to almost every form of welfare work administered and introduced by its "million dollar engineering staff." It claims to have served corporations all over the country with "industrial counsel" on club plans, house organs, methods for selling stock to employees, employee training, bonuses, building and loan associations, clubhouses, group insurance, thrift plans, personnel departments, lunch room equipment, etc. This hustling "man engineering" corporation is a professional strike-breaking and union-liquidation concern. It has even issued special booklets dealing with its efficient work in this field of trade union destruction. Why it also "sells" welfare devices to the employers will become still clearer to the reader who examines in detail the types of welfare discussed in our next two chapters.

<sup>10</sup> 439 *Industrial Problems Analyzed*, Sherman Corporation, Inc., 1925.

## CHAPTER X

### TYPES OF "WELFARE"

It may be well to examine in greater detail a few of the current service activities which we have roughly classified under the general heading "Welfare." Most of these services are difficult to measure and describe statistically. It is impossible, in almost every instance, to discover how many firms and how many workers are affected by a particular type of welfare. But we can at least sketch a few of the items and suggest the part they play in the "well rounded program of personnel work" in the plants where they are known to exist.

#### *Mutual Benefit Associations*

In addition to the company unions already described, there are other company-fostered organizations of workers, in which every "loyal" employee is expected to enlist. Some of these are called mutual benefit associations. Others are known as coöperators' clubs, social clubs, service clubs, boosters' clubs, old timers' clubs, thrift clubs, veterans' clubs, and the like.

The mutual benefit association known also as "benevolent association" (society, or brotherhood), "coöperative welfare association," "sick (aid, accident and burial) association," etc., has become fairly popular with management, nearly 1,000 corporations in the United States having experimented with this device. This type of association is described by the National Industrial Conference Board as "an organization of employees within an industrial establishment, formed for the purpose of

providing protection for its members in case of sickness, accident and death."<sup>1</sup> It is regarded as an excellent device for building company loyalty, increasing production, and reducing absenteeism and labor turnover.

Experts on methods for holding the workers' loyalty recommend the mutual benefit association as superior even to group life insurance because its value to the employees is demonstrated more frequently. More workers are sick or meet with accidents than die each month! Hence the benefits offered by the association come more frequently to the attention of the worker than those of the life insurance scheme, and he will thus be drawn closer to the company.

Enthusiastic employers writing to the Conference Board have described the results of these associations. They have "taken the place of the union with the men"; they have been a "real aid in managing and controlling the workers"; they have been useful in conveying ideas to the workers which "would be very hard to put over in any other way."

The M. B. A.'s are often used to administer other welfare and service activities. One corporation puts its tennis courts, baseball diamonds, and trap shooting equipment into the hands of the officers of this association. Many of them have their special committees for sports, burial, clubhouse, entertainment, recreations, and their "sunshine committees" for visiting the sick. Some are administered by the company union, the directors of the benefit association being nominated by the works council in the plant. A few go so far as to take the place of a company union. They acquire some responsibility in the consideration of grievances and labor conditions. Such an association is the Employees Mutual Benefit Association of the West Kentucky Coal Co., which, according to a booklet issued by the company, is "an independent, coöperative fraternity

<sup>1</sup> National Industrial Conference Board: *Experience with Mutual Benefit Associations in the United States*, 1923.



open to all capable workers." It boasts of the following "benefits": collective bargaining, no strikes or lockouts, sick benefits, death benefits, old age pensions, medical service, group life insurance, and social and recreational activities. It strives to "promote contentment." It goes farther; "it teaches," the company booklet tells us, "that we are our brother's keeper and that we should consider at all times the interest of our fellow workmen equally with our own. It teaches us the principles of the golden rule, the idea of which was so wonderfully demonstrated to us by the Holy Nazarene so many years ago." The West Kentucky Coal Co., it need scarcely be added, is a militant anti-union company that has long fought the United Mine Workers of America.

#### MILWAUKEE ELECTRIC PATERNALISM

A similar association which exercises the functions both of the regular benefit association and the company union, is in operation on the lines of the Milwaukee Electric Railway and Light Co. According to one student who investigated this association the membership is compulsory, and the company "practically appoints and pays the salary of the business secretary." Every kind of social and athletic activity is conducted by the E. M. B. A. "It even conducts funeral services for the members." In order to assure proper attendance at meetings "the company asks department heads to see that at least a certain proportion of the employees attend." As this association was born of a broken strike its relation to trade unionism might be imagined. The student investigator writes:

"The company exercises an aggressive policy against trade unions. . . . The writer of this article asked the business secretary of the E. M. B. A. whether any union men were employed by the company. The answer was that there might be some among the employees. He wasn't sure. On being asked what the company would do if it discovered an employee 'talking

union' to other workers, the answer was unhesitatingly: 'We'd fire him!' " <sup>2</sup>

#### PULLMAN PORTERS BENEFIT ASSOCIATION

A typical benefit association, without company union functions is the Pullman Porters Benefit Association. It was first proposed to the porters in 1917 and rejected by a referendum vote. In 1920 it was introduced without a referendum and has been in operation ever since. Its recent public prominence is due to the use the Pullman Company has made of it in its war on the Brotherhood of Sleeping Car Porters. Like the company union of the Pullman Company it has been employed as a weapon to prevent the workers from organizing into a real union.

When the Pullman porters began to build their own brotherhood in 1925, the Benefit Association immediately spent thousands of dollars advertising itself in the Negro papers of the country. In its advertisements it contended that it was a voluntary association in no way controlled by the Pullman Company. However, porters who have had long experience with the association, and who have even been among its officials, point to the fact that every one of the seven men on the Board of Directors of the association is either an "instructor," a "welfare worker," or an employment agent of the Pullman Company, all of whom receive much higher salaries than regular porters. None of them are working porters. Furthermore, it is declared that should a porter accidentally be elected he would at once be made a "welfare worker" or advanced to some position where he would receive higher pay from the company. The funds of the association above a certain small amount can be voted only with the O. K. of the treasurer of the Pullman Company.

<sup>2</sup> E. Berman: "Paternalism and the Wage Earner," *American Federationist*, May, 1925, p. 357.

In the primaries and the elections for delegates to the association's annual convention held in the fall of 1926, the company manipulated the ballot boxes and prevented some of the most popular porters, who had always gone as delegates to the conventions from being elected. One very popular porter went so far as to vote for himself. Six of his trusted friends—in addition, of course, to hundreds of other admirers, also voted for him. When the votes were counted, this porter received not one vote! A "welfare worker" was declared elected in his stead. In the same elections in 1926, pressure was brought to bear on porters to compel them to vote. Many workers reported that their company pay checks were held up until they voted.

In answer to the company's contention that membership in the association is optional, several porters have expressed themselves as follows: "If membership is entirely optional, why does the District Superintendent of the Company, acting as agent, call the hesitating porter into his private office and say, 'Why don't you join the P. P. B. A.? Don't you want to coöperate with the company?' What would you do; what would anybody do under the circumstances? Just as the 8,000 porters have done. In the association's advertisements paid for by the company the public was advised that porters are invited to join. Porters will tell you they are urged, coerced, threatened."

Although the association is supposed to have functioning local lodges and officers, all the business of the association is transacted through the local superintendents of the Pullman Company.

### *Types and Characteristics of Associations*

Most M. B. A.'s are confined to one company, though in a few instances they have been set up by an association of employers to provide for their "American Plan" workmen en-

gaged in breaking the power of the trade unions. Such an association was the American Plan Plumbers' and Steamfitters' Union Mutual Benefit Association, organized by the Industrial Association of San Francisco in connection with its war on the trade union movement.

In some cases M. B. A.'s are administered solely by the employers; in some instances, by the workers; others are managed jointly. The tendency is for more of these associations to be of a contributory character, that is, the worker as well as the employer contributes to the funds, often an equal amount. But, as one writer puts it, "the members should know that they are operating their association." The employers sometimes encourage the workers to sell the association to the less willing ones, prizes being given to those who bring in the most new members.<sup>3</sup> In spite of this touch of "democracy"—at least in the matter of contributions—many such associations exclude union men from membership. Should a worker, already an association member, join a union, he is frequently a candidate for immediate discharge.

Many associations are still administered solely by the company which has originated the idea and brought the organization into being. Typical associations administered by the employer, and in which the workers have no semblance of a "say," are those of the Hood Rubber Co., Western Union Telegraph Co., John Deere Plow Works of the International Harvester Co., Perth Amboy Dry Docks Co., and the Bourne-Fuller Co. In many instances, the company covers all the expenses of the enterprise by allowing the workers time off during working hours to engage in association business, by maintaining the headquarters of the association, and by meeting all overhead expenses. The initial organization expenses are usually carried by the company. In the case of the Western

<sup>3</sup> W. L. Chandler: *Conclusions from a Survey of over 500 Employees' Benefit Associations*, Bulletin of U. S. Bureau of Labor Statistics, No. 227.



Union Telegraph Co., \$1,000,000 was appropriated for the purpose. This was, in effect, money spent to combat the trade union, as the employers' M. B. A., in addition to serving as an espionage and blacklist system, has been used by this company for many years to prevent the unionization of the workers.

In associations where the employees pay part of the expenses, membership may be voluntary, but the methods of approaching the new worker are so "sound psychologically" that a refusal to join is almost unknown. Once the workers are lined up 100 per cent in what might be called a "closed shop," the dues are often deducted from the pay envelope through a "check-off" system. Where the membership is so nearly automatic and compulsory, the firm maintains a friendly "association spirit" by having the organization hold dances, parties, outings, field meets, and other measures to develop to the highest degree the "big family" feeling.

### *Other Clubs and Associations*

In some companies the benefit association takes on a wider list of functions and is known simply as the "club." For example, we may mention the Brooklyn Edison Club of the Brooklyn Edison Company organized in 1922 with a membership of about 4,000 out of the 6,000 workers employed by the company. Its purpose is "to make better satisfied and more efficient employees." It is partly supported by the company and its executives. A *Handbook of Information* issued by the company tells us that the employee by joining the club "indicates his desire to take an active part in the life of the company and signifies in a measure his earnest wish to support the things that are of company interest." The purpose is clearly to identify the worker completely with the company as opposed to the interests of any outside union or association. The membership dues are only two dollars per year, a nominal sum, which helps merely to create the impression that he is not get-

ting something for nothing. Some of the things he is expected to share in are mentioned in the handbook:

*Social Functions.*—The Social Committee arranges for entertainments at the regular monthly meetings, theatrical performances, dances, dinners, outings, and other matters of a social nature. Programs . . . consisting of music, moving pictures, vaudeville, refreshments, etc. . . . Annual Minstrel Show. . . . Annual excursion to Bear Mountain. . . . Picnic parties, games, dancing, boating. . . . A Christmas Party. . . . Special dinners and dances.

*Athletic Activities.*—Baseball games . . . with teams of other companies. . . . Swimming club. . . . Facilities for tennis, bowling and horseback riding. . . . Basketball for men and for women . . . accompanied by dancing. . . . Outing and Field Days. . . . Pony-polo game, machine-gun exhibit, athletic contests, band concerts, . . . banquet and dance. . . . Winter Outing and Excursion. . . .

*General Service.*—Information and Publicity: Company paper, the *Brooklyn Edison Topics*. Individual Benefits to Members—Purchases: Merchandise for personal needs at liberal discounts. . . . Ministering to the sick. . . . *Educational Opportunities.* Group sections have been organized: technical, commercial, and accounting. . . .

The Edison Electric Illuminating Co., of Boston, also runs an Employees' Club. Indeed, it has had one in operation since 1899, illustrating the fact that many of these associations are by no means "war babies," although they have been used especially during "difficult periods" as effective anti-union devices. The handbook issued by this company informs us that "The club fosters the 'Edison spirit' among its members, through social and recreational activities, to the end that good fellowship shall prevail. The dues are only one dollar a year. Clubhouse facilities are provided and "the company contributes to the financial support of the Club and considers it greatly to the advantage of every employee to be a member of the Club."

Other company-inspired associations of workers in the public utilities field are fathered by the Northern States Power Co. of Eau Claire, Wisconsin. A Divisional Manager of the company declares that every company must have "properly guided employees' organizations" through which to reflect the "spirit of the company." This company has a men's association and a ladies' association. When the men's association holds a "stag smoker" the ladies are sometimes invited to prepare the sandwiches and refreshments. One company executive surveying this happy mingling of the two associations under the company's banner remarked that "Socialism and communism never realized that such conditions could obtain."<sup>4</sup> The aim of the two associations, and the "company parties" which they arrange from time to time, is said to be the fostering of the "true Christmas spirit throughout the year."

Similar associations are sometimes labeled social and athletic clubs. For example, the Pepperell Manufacturing Co., cotton sheeting makers of Biddeford, Maine, having broken a strike of workers in 1926, having blacklisted the courageous and tireless local leader of the strikers, and having planted spies among its workers, and played off one nationality against the others, hastily installed a social and athletic club in an effort to defraud its workers of their just wages and conditions.

The clubs in some corporations are often confined to veteran workers. They may be called simply "veterans' clubs" or "old timers' associations," or they may, as in the plant of the L. E. Waterman Co., manufacturers of fountain pens, be known as the Ten Year Club and the Twenty-one Year Club for employees in service for the time indicated by the name. For the workers in the Ten Year Club the company—which in its day has broken both strikes and unions—provides a \$1,000 insurance policy. An annual dinner is spread for which each member pays \$1. The Twenty-One Year Old members receive

<sup>4</sup> George H. Wilmarth: *Gas Age Record*, August 1, 1925.

\$1,000 on retirement, which amount, if distributed in wages over the 21 years, would have added to the worker's weekly pay envelope the princely sum of about ninety cents. These are the rewards to the old men who have put in the best years of their lives making Waterman fountain pens at less than thirty dollars a week.

Other company clubs largely for recreational and "get-together" purposes are called boosters' clubs, the idea being that such clubs boost the company spirit and improve morale. Such a club is the "Frick Booster Club" of the Frick Company at Waynesboro, Pa. Once a month this club holds "Fan Nights." At these affairs the officers and men mingle to the music of the Frick Company Orchestras.<sup>5</sup>

Altogether, there must be several thousand companies with various kinds of clubs in operation. In fighting these organizations, the labor militants have often attempted to develop rival clubs with similar names but with quite different aims and functions. Oftentimes workers will join a club when they are still afraid of company reprisals should they belong to a union. In a few instances such social clubs have been founded by labor organizers and later turned into factory locals of the trade unions. These tactics need to be experimented with and developed if unionism is to gain members in the club-ridden industries.

### *Relief Departments*

Closely related to the boss-controlled clubs and mutual benefit associations are the relief departments of large corporations. In the case of the Bethlehem Steel Corporation this department is really a consolidation of several preëxisting mutual aid associations. Under the new department created in 1924 the contributions paid in by workers, and benefits received, were as follows:

<sup>5</sup> *Open Shop Review*, April, 1924, p. 141.



<i>Employees With Annual Earnings of</i>	<i>Employees' Monthly Contri- butions</i>	<i>Death Benefit</i>	<i>Sickness Benefits per Week</i>
\$1,500 or less.....	\$1.00	\$500	\$10.00
\$1,500 to \$2,500.....	1.50	1,000	11.00
More than \$2,500.....	2.00	1,500	12.00

There are also disability benefits, the amounts varying with the employee's years of work with the company, this, of course, tending to put a premium on length of service and to discourage strikes and labor turnover. It may also be pointed out that the sickness and death benefits are graded so that those who really need the most assistance receive the least. Furthermore, this plan does not apply to any accidents covered by the various state compensation acts.

According to an announcement made on June 9, 1926, more than ninety per cent of the 65,000 employees had applied for participation in the Bethlehem relief plan. The company acts as custodian of the fund and the plan is administered by a board appointed by the president of the corporation.

The relief and loan plan of the General Electric Company which grew out of the demands made by the company union at the Schenectady plant provides, among other things, that an employee, temporarily idle, working part time, or hampered by illness or other emergency, may borrow \$200 from a fund without paying interest. Repayments are made by ten per cent deductions from weekly pay envelopes when the worker gets back on the job. Workers may join the fund after one year's service with the company by requesting the company to deduct fifty cents monthly from his wages. For every dollar put into the relief and loan fund by the workers the company contributed a dollar.<sup>6</sup>

The relief department is not a new departure with the larger railroad lines. The Voluntary Relief Department of the Pennsylvania Railroad, for example, was founded by the company in

<sup>6</sup> New York Times, February 22, 1927.

1884. It provides for death, sickness, accident and disablement and 194,000 out of the little over 200,000 Pennsylvania employees are connected with it.

Here again we may suggest as we did in discussing company insurance and pensions that these benefits to workers might far better be handled by the state under proper health insurance and other social insurance legislation. While fighting all such governmental insurance as "paternalistic" the big corporations are creating a more insidious and uncontrolled form of paternalism in which the worker's loyalty and first allegiance is to his boss rather than to his social unit or his own self-initiated labor organization. Corporate feudalism is the inevitable outgrowth of such a relationship. Only a greatly vitalized trade union movement and hearty and intelligent advocacy of social insurance will serve as an offset for the growing power of the corporations in this field.

### *Social and Recreational Activities*

The range of activities which may be described as social and recreational is almost limitless. It includes a hundred varieties of company paternalism from free cafeteria suppers to classes in Christian Science. We have already seen how the associations and clubs often carry on these activities for the company though in other places they may be under the direct supervision of the personal director or some other company official.

### FREE FEEDS

Company banquets have become quite common recently even in districts where such paternalism would not have been tolerated a few years ago. The miners' union was, at least until recently, one of the most independent and virile bodies of men in the A. F. of L. This union now has a contract with the Hudson Coal Company of Scranton, Pa. But in recent months

in an effort to weaken the hold of the union on the men and to develop loyalty to the company a series of banquets have been held. This practice is becoming very common among other companies in the mining industry. The Hudson Coal banquets are usually featured by much turkey or chicken, much ridicule of the union, talks on efficiency, lectures on how to load more coal on a car, and big black cigars for all "the boys." One trade union writer after attending one of the banquets observes that "it is all leading towards the open shop. The company is now barring union organizers from its grounds."

The free feed method is practiced in every industry. Even the lumber companies of the Northwest with their Loyal Legion of Loggers and Lumbermen—a sort of federated company union—are hearty feasters. In a sample number of the *Four L Bulletin* (November, 1925) we read of picnics, banquets and dances, free suppers, beach parties and other eating events in which the workers from many companies participated. Many of the larger lumber companies were among those mentioned as providing these loyalty-building spreads.

At some of the company-staged parties and entertainments the workers, before the music begins—so to speak—are permitted to present their grievances if they have any. A worker for the New York Edison Company tells us, however, that none are ever discussed at the monthly educational and recreational meetings. "How in the world can you insult your host?" he asks. "How are you going to talk sour to the people that invite you and your sweetheart to a dance and refreshments afterward?"

This is excellent company strategy. Workers at such gatherings are not likely to remember their job troubles. As the Edison worker says: "At the baseball game it is baseball. At the basketball game it is basketball. At the smokers it is prizefights and dirty jokes. There are no grievances."

It is customary in many plants for company union committees to dine at company expense before getting down to busi-

ness. The Forstmann & Huffmann Company of Passaic, for example, always preceded the most important meetings of the "industrial assembly" with a filling meal under the company roof. The Bethlehem Steel Co. does likewise. And the president of the Bridgeport Brass Company also senses the value of a similar practice. Describing his company union, he says, "The group committees always gather for their meetings in the cafeteria during the noon hour. This has been found to be the best time for such meetings, as in the general atmosphere existing after a full meal there is less timidity and more tendency on the part of the men to express their ideas." There is also less likely to be dissatisfaction with working conditions by workers whose stomachs have just been filled. However, in this case the workers probably pay for their lunch as is the rule in most companies with plant cafeterias.

#### LUNCH ROOMS

The restaurant facilities provided in industrial establishments must of course be distinguished from the evening banquets and spreads at company expense. They go along as a matter of course with other modern personnel measures. In a recent study of 430 representative companies made by the United States Bureau of Labor Statistics, it was found that 303 of these, with 1,175,388 employees, provided some form of lunch room for their workers, and that an average of about 30 per cent of the workers patronized them daily.<sup>7</sup> This investigation found that one of the determining factors behind the installation of these lunch facilities was "the desire to keep employees in the establishment during the lunch hour"—whether to keep them away from contaminating contacts with labor agitators is not stated. The writer has in his own experience as a labor organizer come upon a number of employers who

<sup>7</sup> *Monthly Labor Review*, U. S. Bureau of Labor Statistics, March, 1927, p. 13.



professed to this as their main motive for the establishment of a lunch room within the plant.

Another reason for lunch rooms given to the Bureau of Labor Statistics' investigators by many firms is "maintaining the health and efficiency of the working force." A number of firms reported that "an increase in production had followed the installation of lunch room service."

Most of these lunch rooms—the great majority of which are run on the cafeteria style—are operated by the factory management. In a few cases—some twenty-three out of the 303—the management of the cafeteria was in the hands of the employees' association, the thrift club, the benefit association, or a subcommittee of the company union, with all overhead, however, paid by the company.

"In comparatively few instances are meals served free to employees," says the report, except on special social occasions, such as those already described. Several companies give free suppers to those staying in the evening after work to attend classes, club meetings, and rehearsals. The company bands and orchestras are usually treated to a free supper when they remain after work for rehearsals. The free supper encourages attendance and participation in whatever evening activity the company may arrange for its workers.

Social activities among the children of employees is recommended by most welfare experts. The Standard Oil Company of New Jersey and many other corporations resort to "June walks," Christmas parties, and annual outings in order to reach the children. Some welfare executives say this is the most satisfactory way to develop what they call "*the necessary esprit de firm.*"

A good many companies make the workers earn their recreational sprees, and limit these affairs to those who have qualified in some contest or race for perfection. For instance, some companies give free theater or movie tickets on each monthly pay day to those who have neither been tardy nor absent dur-

ing the month. The winners are all expected to attend the theater in a group, and the occasion is considered one of the headline events in the social life of the factory.

### *Sports and Athletics*

The worker's natural desire for sports and athletics is exploited by an increasing number of companies. A typical example is the Henry Doherty Silk Co., one of the largest Paterson silk plants that has long withstood trade union organization efforts. It has developed one of the fastest baseball teams in the state. The "Silk Sox," as they are called, are known far and wide, and the great enthusiasm the workers have shown for this team has taken their minds off the problems of wages and the increases in the number of looms per weaver. The workers are of course admitted free to the games. The "Big Boss" gives a five dollar bill to any member of the team who hits a home run.

The spread of company sports in Chicago is reflected in a statement from the Labor Sports Union of that city which declares: "Almost every good-sized store, bank or factory has a girls' basketball team, while large plants like the Western Electric have quite a number. Wiebolt's department stores have teams which compete not only with each other but with other stores and factories. Even the ushers in the Balaban & Katz movie theaters have their regular athletics. The bosses hope to create the same spirit of loyalty to the firm among the employees as is created for a school by its athletics."

The Labor Sports Union gives a further report in a letter to the writer who had inquired about other company sports activity in the neighborhood of Chicago:

"The Hawthorne plant of the Western Electric recently spent over \$150,000 in building and equipping a new gymnasium for its employees. It has organized an elaborate system of sports activity among its employees, including both men and women—particularly the younger people. It covers every form of sport.

Baseball, basketball, volleyball and handball alone are participated in by over 1,500 employees the year round. A basketball game recently played between two department teams, attracted a crowd of 5,000 spectators, nearly all of them employees of the company. Of course the athletic activity is salted down with frequent lectures on efficiency, company loyalty, etc. Recently the company staged a mammoth shooting tournament in which over 3,000 of its employees participated. This may be the introduction to other military training of which the company is known to be a strong supporter.

The Sears, Roebuck & Co., mail-order house, has a special Y. M. C. A. building attached to it, and used exclusively by its employees. In addition it has baseball and tennis grounds. Its employees are systematically encouraged to participate in sports. The interest of the workers is stimulated in the contest between teams representing various departments. An average of about 1,000 young people take part in the sports activities throughout the year.

The Gary plant of the United States Steel Corporation has for many years been developing sports activities within the ranks of its workers, through an athletic club. Nearly every department has a basketball team and a bowling team. It is particularly noteworthy in this instance, that through the medium of sports, the Steel Corporation in Gary has been able, for the last ten years, to turn Labor Day into an occasion for employer-employee goodwill and friendship. Every Labor Day in Gary is featured by a huge athletic festival, participated in by hundreds of workers. (Most of them, of course, are white-collar workers, or have easy jobs.) The big officials make speeches, and the newspapers play up the benevolence of the corporation, and the excellent spirit of coöperation which prevails among the workers."

The United States Steel Corporation reports that up to January 1, 1924, it had installed 175 playgrounds, 125 athletic fields, 112 tennis courts, 19 swimming pools and 21 band stands. "In several cases the athletic fields are equal, if not superior, to those of most of our smaller colleges or minor league baseball clubs."<sup>8</sup>

<sup>8</sup> Gulick: *Labor Policy of the United States Steel Corporation*, p. 174.

The Standard Oil refineries near Bayonne have signed up nearly all the workers in an athletic association taxing them each a dollar a year. This association, in addition to providing for the usual athletic teams, arranges a Christmas treat and a "June walk," with a free ice-cream cone for the children of the workers. The company gets a great deal of credit for its charity which the workers have really paid for when they hand over their dollar bills to the athletic association.

Practically every firm with any sort of welfare on its program has done something to develop sports among its workers. Many of these corporations, like the Eastern Machine Screw Corporation of New Haven, permit workers' committees to have control of the teams and athletic events. This firm "finds that these activities create a very fine feeling among our employees and attract people to seek employment in our factory." The Pennsylvania and most of the railroad companies, that fought the shop craft unions almost out of existence in 1922 have developed extensive sport clubs and athletic associations. They hold great field days and track meets attended by workers for miles around. All the big railway shop towns are centers of athletic activity, the teams sometimes achieving almost professional standing.

The late *New York Commercial* (April 28, 1926), commenting on the great development of company sports, says that it makes for "better understanding between management and men." It recommends that managements provide the fields and grounds and leave the sports in the hands of the workers. It describes one Pennsylvania plant where this was done. The men "erected a splendid grandstand. . . . Boxing, wrestling, baseball, football, soccer and running exhibitions are held in the field frequently and are well patronized, not only by the men but by their families and friends." The larger corporations erect great recreational centers close to the plant. "These layouts vary from a rude clubhouse with limited facilities to beautiful country clubs with tennis courts, swimming pools,



bowling alleys, etc.” And even though the corporation does put up the bulk of the money and the worker pays but nominal annual dues, “the underlying aim should be the same in all cases: that of making the employee feel that it is his or her club.”

And when the company is too small to afford a special recreation center of its own “the community athletic fields can be used by the plant teams. For indoor sports the local Y. M. C. A. facilities are readily available.” Finally, it is stated by this anti-union editorial writer that “organized recreational activities are valuable because they arouse the ‘belonging instinct’ or ‘gang spirit.’ It is this instinct that can best be profitably cultivated and guided through athletic sports.”

The sports activities of certain railroad lines have been so intensively developed, and their value in keeping down discontent and agitation is so clearly appreciated by the companies, that in many cases workers who are good ball players will be given all sorts of favors by the company. One worker on a branch of the Union Pacific writes:

“If a man is an athlete he can get a job any time. If he is both a mechanic and an athlete means will be found to have him displace the man who is only a mechanic. The athletic associations, rifle clubs, baseball and basketball teams, etc., are supposed to be self-supporting. Every worker has to buy tickets to the games when the foreman comes around the shop with them. If he doesn’t buy he is certain to suffer discrimination in some form. . . . The company, of course, makes up the deficits in the athletic association but the workers are urged to contribute, to buy tickets and to make it as self-sustaining as possible. This makes them more interested in it and they then regard it more as their association. . . . The athletes get special favors, time-off, transportation, expenses when playing games out of town and so forth.”

### *Rewards and Prizes*

In addition to prizes given to workers for excellency in boy scout work in athletics and in the other recreational activities

which we have described, the reward tactics is used in many plants to give the worker a sense of identity with the company after years of "faithful service." The Brown Hoisting Machinery Co., for example, gives its workers who have been in its employ twenty-five years a gold watch (in addition to the regular turkey at Christmas for each employee regardless of length of service). The Ingersoll-Rand Company grants "service pins" for those who have been on the job ten years, together with a week's vacation with pay.

The Standard Oil Co. of New Jersey awards a gold lapel button for the ten-year men and a pin for the women. As the worker stays on the job the brilliance of the button increases. "For twenty years' service a similar button was given, but carrying a small diamond; for thirty years, one with two diamonds; for forty years, one with three, and for fifty years, one with four."<sup>9</sup> At the end of 1925 there were over 9,000 persons holding insignia of at least ten years' service. "In 1925 also 277 employees moved into a higher classification and received another diamond." About one-fourth of the working force are holders of these buttons.

The Constitution of the Goodyear Service-Pin Association gives as its object the furtherance of the "loyalty, efficiency, co-operation, and general welfare and happiness of all Goodyear employees." An employee receives a pin when he has been with the company five years or when he has become a graduate of the Flying Squadron Course. The association, which is reported to have 6,000 members, administers a fund given it by the President of the company, and elects for the purpose a full set of officers. A member may subscribe to a share or more of stock in the association but, "a member who leaves the employment of the Goodyear Tire & Rubber Company, *to go on strike*, will be compelled to surrender his stock in the Goodyear Service-Pin Association at par value, and in case he

<sup>9</sup> New York Times, August 31, 1926.

returns *he will be considered as a new employee*, unless other disposition is made by a unanimous vote of the Board of Directors.”<sup>10</sup> (Author’s italics.) Length of service, however, is no protection to the Goodyear worker. If he fails to keep up with the speed-up system, or shows sympathies for labor unionism he is promptly discharged, no matter what his length of service may be.

The Lorraine Manufacturing Company with mills in Rhode Island awards “honor pins” to “faithful” employees. After five years’ service the worker gets one star on his pin, after ten years, two stars. After twenty-five years he receives a medal “studded with real jewels,” and after forty years, if he is still “loyal,” his badge is covered with “eight real sapphires.”

The Standard Oil Company of California maintains “The Order of Service” which bestows a pin on those who have served long and faithfully. Diamonds appear in the pins awarded for the longer periods. And on one who earns a thirty-year pin very special honors are showered. The ritual is explained in a company booklet called *Standard Oil Spirit*. It tells us that for the thirty-year service employees, “the presentation is by the President of the company. No matter where the employee may be stationed he and his wife, if he has one, are invited to San Francisco at company expense for the presentation.”

The Cincinnati Milling Machine Company has instituted a Long Service Order, the insignia of which is “a gold badge for men who have been with the company for fifteen years, with a diamond inlaid for each additional five years’ service. Old employees wear these badges proudly at their work.”<sup>11</sup>

Not only for long years of service, but for special performances, are prizes now being given by American welfare-

<sup>10</sup> *The Work of the Labor Division*, Goodyear Tire & Rubber Co., 97.

<sup>11</sup> Daily Mail Mission to the United States, 1926 Report, p. 59.

practicing corporations. The employee magazines are full of accounts of the prizes won by workers for special feats of workmanship or endurance. And the Wall Street financial journals are applauding the practice. On October 15, 1926, *Forbes Magazine* announced that a West Virginia coal miner had been awarded a gold medal by the generous Bethlehem Steel Corporation for having won the title of champion coal shoveler in a certain mine. A similar medal had been won by another coal heaver in another mine. One of the men had loaded, with a hand shovel 538 tons of coal in twelve working days—"a prodigious record, experts declare." The financial paper asks why more of these awards are not given and predicts that the day is coming when as much interest will be aroused in contests between champion workers as is now aroused in contests between champion players "in the realm of football, golf, swimming and tennis." The example set by Bethlehem should be followed by many other companies, it urges, "only let medals be supplemented by an appropriate sum of money." The Bethlehem Steel Company would probably reply that the money supplement would detract from the dignity and honor of the award!

### *Suggestion Systems*

In the same category as these "distinguished service medals" and even more profitable to the companies, are the prizes given for "suggestions" in many plants. To increase efficiency, eliminate waste and improve production a series of prizes in cash or in company stock are offered workers who contribute worthwhile ideas and suggestions to the company. The usual type of suggestion system provides for a box in which the worker drops his suggestion, having first rather painfully reduced it to writing. In some companies, such as the Commonwealth Edison Company, where a cash award is not given for every valuable suggestion, a system of credits is arranged whereby the



employee receives a certain number of credits for each one. "When an employee has received a total of ten credits, he or she will receive a sum of five dollars for the suggestion made."<sup>12</sup>

One of the major purposes of these suggestion systems is to make the workers "feel that they are an integral part of the institution." The *Industrial Digest* of the anti-union Utah Associated Industries emphasizes the happy results of the "suggestion box" method when it says, "Outside agencies that would interfere with the pleasant relations between management and men find no foothold in such an institution because the employees are sold to the boss and to the whole institution." At the end of a fervent appeal to the employers to adopt the plan the *Industrial Digest* concludes, "It opens the way for a fine development of loyalty and is one of the best means of protecting you against the outside disturber." Who this outside disturber is, the labor record of the Utah Associated Industries plainly reveals. The *Digest* flaunts the fact that it is "Printed in an American Plan Shop."

Another purpose of the suggestion system is pointed out in a speech by Cyrus McCormick, Jr., before the company union of the Wisconsin Steel Works of the International Harvester Company:

"Another way in which the Council (company union) members can help is in the Suggestion Plan, when you spread our propaganda for suggestions. How many of you are going around and hunting suggestions? Whom do suggestions help? Will suggestions help the Company? Yes, possibly we can get a better way of doing our work, a more efficient way, a money-saving way, but don't forget that suggestions also help the men who make them. The men should not judge the monetary reward of the suggestion, but when a man makes a suggestion that succeeds he draws attention to himself and makes himself eligible for promotion."<sup>13</sup>

<sup>12</sup> *Edison Round Table*, February 28, 1925.

<sup>13</sup> Harvester Industrial Council, Minutes of Meeting held October 5, 1926.

Not only at the International Harvester Company, but at the Bethlehem Steel Corporation and other great company union plants the works council has been used to great advantage in digging suggestions out of the workers to the accompaniment of "effective publicity," such as the worker's name on the bulletin board or his picture in the company magazine. One writer tells us that the company unions have "restored to life many almost forgotten suggestions systems and in other cases have taken their place." And the company, in some instances, has to pay nothing out in cash for the suggestion. For, under the company union plan the suggestion is conceived to be "the product of several minds working together on a committee, and for which no individual expects or claims credit."<sup>14</sup>

The employees of the Standard Oil Company of New Jersey submit their suggestions through the "Coin Your Ideas Committee." Payments run from \$10 to \$50 for suggestions that may save the company anywhere from \$1,000 to several hundred thousand dollars. This branch of welfare certainly deserves the particular appraisal, "It pays."

<sup>14</sup> Burton: *Employee Representation*, p. 259.

## CHAPTER XI

### TYPES OF "WELFARE" (*Continued*)

#### *Employee Education in Economics*

THE list of duties of the personnel department of any company usually includes something more or less vague labeled "education." One writer suggests that under this heading should come the business of keeping before the workers the "aims, ideals and policy of the company" through house organs, clubs, lectures and bulletins. He lists also the general education of the employees and their families in "American ideals."<sup>1</sup>

But education of workers in "fundamental economics," referred to so often in the literature of management, is something that is becoming more definite than mere general lectures, thrift bulletins and "watch the leaks" slogans coined by enterprising personnel managers. A considerable amount of thinking has been done on the subject and many of the big corporations have concrete plans as to what they want to do in this field. A number of writers have discussed employee education in economics in the magazines of management. Reading these articles one gets the impression that the purpose of this type of education is to prepare the workers' minds for hospitality to wage cuts, longer hours, speed-up systems, open shop drives, antagonism to unionism and all-around subserviency to the employer.

And what little of it has been carried on to date seems to have been, from the employers' viewpoint, highly successful. *Law and Labor*, organ of the League for Industrial Rights, holds that "It does pay. Operating expenses are reduced and

<sup>1</sup> Dwight T. Farnham: *America vs. Europe in Industry*, p. 319.

the employee is more inclined to be reasonable in his demands and less subject to pernicious outside influence. His interest in his work is stimulated and greater confidence is gained."<sup>2</sup>

Although some of these plans for educating employees against communism and unionism have been discarded since 1919, an article written in that year, in the very month when the steel strike was flaming, gives us more than a broad hint of the meaning and purposes of the sort of economic education contemplated, and in some instances introduced, by the employers. H. W. Kimball, writing in the November *Industrial Management* on "Educating the Workers to Sound Economics," observed that "it is useless to think that it would eliminate all labor unrest, but it would cause many a worker to think twice before he acted in a foolish manner," which at that time certainly meant "strike."<sup>3</sup> Another enthusiast for this kind of education suggests, "There is only one way to offset the goodwill-destroying propaganda of radicalism and that is by disproving it by the spread of truth and wisdom in undistortable form."<sup>4</sup>

Among the warmest advocates of this type of employee education are the League for Industrial Rights, the American Plan Association of Cleveland, the National Association of Manufacturers and the other employers' bodies mentioned in Chapter III. The individual firms using one form or another include almost all the thousands of companies that have adopted welfare in any form. The General Electric Co., Bridgeport Brass Co., Goodyear Tire & Rubber Co., the American Rolling Mills,

<sup>2</sup> *Law and Labor*, August, 1926, p. 227.

<sup>3</sup> For other articles on employee economics see Carl Dietz: *Employee Education in Fundamental Economics*, published by Chamber of Commerce of the United States; D. A. Hampson: "Selling Plant Costs to Employees," *Industrial Management*, February, 1926; *Reports on Employee Economics*, prepared for American Management Association; Will Herberg: "Employee Education in Economics," *Workers' Monthly*, September, 1926.

<sup>4</sup> *Economics for Employees*, Report of Committee on Economics for Employees, American Management Association, 1924.



Brooklyn Edison Co., Swift & Co., Chicago & Milwaukee Electric Railroad, Cambria Steel Co., American Steel & Wire Co., Hood Rubber Co., American Telephone and Telegraph Co., and several banks, notably the National City Bank of New York, have introduced these plant educational activities on a wide scale.

How is this educational propaganda "put over"? How do the employers instill "proper" concepts in the minds of the workers? How is the intended harmony in industry produced?

Some very skillful methods have been worked out. The corporation may be solicited by another company specializing in "educational work among employees." This may not necessarily be a labor spy agency disguised under the word "engineering," although, as we have already noted, these companies have become a distinct factor in the field. The soliciting company may promise its prospective client that it will furnish readable little pamphlets to be distributed among the workers. These pamphlets may be mailed directly from the office of the "educational service," or they may be given to the corporation's service department for distribution to the workers.

One of these firms is known as Seth Seiders, Inc. It furnishes the management with a special pamphlet on how to handle workers. It also provides pamphlets on current events which may be mailed to the workers, or to the foremen, as the case may be, directly from the client's plant. Some of these pamphlets take the form of talks or lectures signed by the President or some other officer of the client company.

Another direct mail service corporation serving many industrial companies is known as the American Educational Association. It mails pamphlets and leaflets to employees. The addresses of the President of this association made before Chambers of Commerce and commercial clubs are featured in the offerings. There are also bulletins bearing such titles as "You and I—and the other Fellow," "What is a Republic?" (defending the thesis that democracy is impossible in a modern

nation) and a series of folders, one of them called "Jimmy and the President," which attempts to prove that "the banker's wife and Dominick the digger" are after all both fellow-laborers in the same industrial and social vineyard.

Other companies specializing in this type of service to employers are the International Educational Society (its other name is National Foundation, Inc.) which has listed among its clients the Lynn Shoe Manufacturers' Association, the Loose-Wiles Biscuit Co., the American Linoleum Co., the Mergenthaler Linotype Co., the Booth Felt Hat Co., and dozens of similar concerns bent on keeping their workers in the "Happy Family" frame of mind. This society sells a series of seventy-eight talks which the worker is to receive at his home address. The propaganda is intended to make the machine minder view his boss in a rosy and patriotic light. Appeals are made to the worker's greed, vanity, fear, shrewdness and home-and-mother sentimentalism. The rates for this service, some years ago, were six to eight and a half cents a week per employee which the employer, who incidentally remained in the background, not revealing his connection with the enterprise, was "always glad to pay if the service helped to keep his workers happy, docile and contented."<sup>5</sup>

A number of "professional patriotic" societies are also lending their pens to the pay envelope message. The secretary of the American Defense Society some time ago mailed a letter to business executives which read in part as follows:

"A campaign for capacity production has recently been launched by this organization; we believe that Bolshevism will vanish when every worker produces useful goods to the greatest extent of his ability, and that 100 per cent Americanism in labor forces will be the result.

To this end we are offering to employers throughout the country a series of pamphlets such as those enclosed in this letter, for use in the pay envelopes of employees. They are intended

<sup>5</sup> "The Hypnotizing of Winnie Kluth," *New Republic*, April 30, 1924, p. 257.

to impress upon workers the need of his or her coöperation with the employer and other industrial units in order to bring about a reduction of living costs and a season of prosperity."

The pamphlet enclosed was the usual work-work-work and love-the-boss appeal. The American Defense Society wholesaled these pamphlets to fearful manufacturers at one dollar a hundred.

Some employers through their personnel departments attempt to provide their own direct mail propaganda without the intervention of an outside agency or patriotic society. For example, B. F. Affleck, president of the Universal Portland Cement Co., in 1924 sent to every employee of the company a notice of the celebration of the 137th anniversary of the signing of the Constitution of the United States together with a few lines on company loyalty and patriotism followed by a long poem, "Hymn of the Constitution."

The "pay envelope stuffer" method is employed by many companies, as this saves postage and is more frank and direct. The Carborundum Company of Niagara Falls, N. Y., uses a little pay envelope slip called "Service Slants" containing sermons on production and the man-to-man relationship in industry together with the star-spangled-bannered poems of Edgar A. Guest. One of these "slants" handed to workers in February, 1924, was labeled "Loyalty" and carried Guest's "The Best Land" which contains this soaring passage:

"So I'm thinking when I listen to the wails of discontent  
And some foreign disbeliever spreads his evil sentiment,  
That the breed of hate and envy that is sowing sin and shame  
In this glorious land of Freedom should go back from whence  
it came,  
And I hold it is the duty, rich or poor of every man  
Who enjoys this country's bounty, to be ALL American."

Sometimes the manager of a company will hear an address or read an article which he thinks would be good for his

workers. For example, Charles R. Hook of the American Rolling Mills Co. of Middletown, Ohio, told the convention of the National Association of Manufacturers in 1924 that he had been much impressed by the anti-union and anti-radical addresses of Fred R. Marvin, one of America's leading and most irresponsible "professional patriots." "As to the latter's address before the National Founders' Association in 1923 on 'Bootlegging Mind Poison' we secured reprints of this excellent address and distributed them to every man from the president to the man handling the smallest group in our organization." Why did Hook take such a fancy to Marvin's highly inaccurate outpourings on the "Red Menace"? Because he believes "it is of primary importance to show the workers that the capitalist system is the only system that has stood the test of time, and which can properly reward individual initiative, ability, and ambition." And furthermore Hook contends "It is very essential, indeed, for management to provide a method whereby it can be assured that a constant watch is kept for newspaper articles, addresses, pamphlets, which will be helpful in presenting to the man in the shop facts with respect to management problems, business economics, and our present industrial system." <sup>6</sup>

In addition to pay envelope slips and direct mail propaganda, corporations have used their bulletin boards to good advantage. There are also publicity companies specializing in bulletin board service, as well as posters that can be hung at various places in the workshops to improve morale and keep down agitation. Finally there are the employee magazines through which the most effective "plant propaganda" may be carried on. These we shall examine in a later section.

Besides the printed appeal, economic education is conducted through classes, "corporation schools" and educational institutes connected with the company or the company Y. M. C. A. One company reporting on a series of talks arranged by its

<sup>6</sup> *Proceedings*, National Association of Manufacturers, 1924, p. 97.



Y. M. C. A. says, "These seem to help in giving the employees the right attitude toward the worthwhile things, as well as towards their work." Much educational material "along right lines" can also be disseminated through subcommittees of the company union as well as through the thrift clubs, mutual benefit associations and booster clubs discussed elsewhere in this volume. A few companies hold group meetings or even mass meetings of the workers with speakers on "inspirational" topics. One authority advises that "noon meetings within the factory or at the gates can be held at least once a week and in a ten-minute talk one point can be pushed so strongly that it will be clinched in the mind of many a listener." These talks may be given by foremen, department heads, plant executives or an outsider such as a local minister, lawyer or political figure. The Elmer Gantry type of minister has always played an important part in providing this form of spiritual education-entertainment for factory workers.

Many companies are offering in a somewhat broader field what corresponds to "workers' education." The Boston Elevated Railway, for example, provides courses in applied sociology, parliamentary law, public speaking, accident prevention and current events. Professors from Harvard give these courses and there is plenty of opportunity for the absorption of all sorts of "sound economics." Such corporation activities as these constitute a very direct challenge to the workers' education movement in this country.

Some educational institutions, probably on the suggestion of employers, have begun to introduce special lectures on "Economics for Workers" which they hope to persuade the workers to attend or to take by correspondence. Something along this line has been achieved by the University of Cincinnati, Pennsylvania State College, Amherst, the Harvard School of Commerce, the Wharton School of Commerce and New York University.

In addition to lectures by university professors the up-to-

date company has experimented with motion pictures and found them one of the most effective ways to drive home lessons in employers' economics. Several firms that have used the movies for this purpose are General Electric, International Harvester, National Cash Register, Bridgeport Brass, Ford Motor and the Standard Oil Co.

But perhaps the most successful method of instilling this brand of economics is through what one writer calls "group discussion." A group—not too large a one—with a "group leader" well posted in his field, and a dependable and tactful defender of the company's point of view, is said to be one of the most satisfactory ways of combating what the corporations describe as "unsound theory and propaganda."

An employee of the New York Edison Company describes the "higher education" methods used by that company:

"The Company school serves a double purpose. Not only does it inoculate the employee with the germ of true faith in the ideals of their Company. It also serves as a promise of advancement in the Company's ranks. By studying at the Company's expense, during Company time, the employee can push himself to the top. From office boy to vice-president. From day laborer to engineer. From soup to nuts. What could be sweeter?

When a youngster comes to work for the Company, he does not have to take out four hours a week to go to continuation school, as the law requires. He can go directly to the Company school instead. There he will not be pumped full of general knowledge. . . . He will be fed, instead, with information about the Company. So that in due time, we have not only super-patriots—my country right or wrong. We have super-employee-patriots—my Company right or wrong."

After attending the Company school for several years the results are unmistakable: "By that time he will be quite sure that labor unionism is a joke, that the Company is interested only in his welfare, that public ownership is a vicious idea and that nowhere else could he have got ahead so fast and accomplished so much."

Thus the perfect non-unionist is achieved, all through the expenditure of a very small sum by the company for "employee education."

The workers' education movement in the United States has a tremendous job ahead of it to counteract this company propaganda now being labeled "education" and fed to hundreds of thousands of young workers, poisoning their minds against the labor unions. More power to real trade union education is the answer to this "educational offensive" of the employers.

### *Selling Thrift*

"The gospel of thrift has been given great vogue by those who see in it a counteracting agency against socialism," says Warren B. Catlin in his book, *The Labor Problem*. Whether thrift programs have been consciously stressed by the business interests as an answer to the radical challenge there can be no doubt that they have been cultivated by corporations for the purpose of developing efficient, contented, and dependable employees unaffiliated with labor unions. These purposes are made clear by J. F. Tinsley, Vice President of the Crompton and Knowles Loom Works of Worcester, Mass., in an address on the subject<sup>7</sup> and by the Metropolitan Life Insurance Co. in a report on savings plans.<sup>8</sup> The latter declares that "practically all of the great industries of this country have adopted some plan whereby their employees may be encouraged to lay aside a portion of their earnings." At least a hundred or more of the larger corporations have established "savings departments for their employees."

A wide variety of savings plans are used. Some companies, like the Western Electric Co., merely facilitate the deposit of

<sup>7</sup> *A Successful Savings Plan for Employees*, American Management Association, Annual Convention Series, No. 42, 1926,

<sup>8</sup> *Industrial Thrift and Savings Plans*, Report No. 52.

workers' funds in local savings banks. Some incorporate company banks especially for the purpose. Some create company savings funds with or without a bonus given by the company. Some institute "thrift clubs." Some establish employees' savings funds or credit unions. Others help the workers to save and invest in the company's stock. Still others attach a savings plan to certain forms of profit-sharing. Building (or savings) and loan associations and the sale of investment certificates are used by some corporations to help workers save. The Pennsylvania Railroad, for example, has established "The Pennsylvania Railroad Employees' Provident and Loan Association"—"a coöperative association of officers and employees of the system." It promises to help the employees save money, increase their pensions, invest in homes and in the securities of the company, and obtain emergency loans on their personal credit. The P. R. R. keeps the funds in safe-keeping and "will also pay the ordinary operating expenses of the Association so long as the Board of Directors of the Company may determine."

Hundreds of similar associations have been organized. For example, the Lukens Steel Co. has "a welfare association, with membership made a condition of employment at our men's request, entirely managed by the workers themselves with the aid of the employment office. This is a kind of savings and insurance fund."

Other special types of thrift and savings devices go under the name of Employees' Participation Funds, Appreciation Funds, Credit Systems, Employees' Savings Associations, Christmas Clubs, and the like.

The simplest form of thrift device is used by the Crompton and Knowles Loom Works which pays for the administration and leaves control of the thrift campaigns in the hands of an Activities Committee. This committee, like many other committees in industrial establishments, grew out of a wartime Liberty Bond peddling committee. "After the war," says the



Vice-President of the company, "some member of the committee suggested that now that the employees had become accustomed to save, we should try to capitalize that fact and get them to continue their savings." The Activities Committee composed of men in the plant is headed by "a man from the superintendent's office or one of the sub-executives." Its campaigns to get workers to save are carried on at least once a year. This rounds up the new men and catches back-sliders. The foremen are the keymen in these thrift drives. They cultivate the workers' "will to save." They sell the "Save at the Shop" idea to the men on the job.

The results of these campaigns and the large percentage of workers rounded up in them—some eighty-three per cent of 2,000 workers in the Worcester plant—are said to be "general satisfaction," the promotion of efficiency and contentment, and a reduction in labor turnover. According to Tinsley the men "have a new viewpoint" and are "very grateful to the company for what has been done. And incidentally, through a savings plan the employer is making more capitalists among the wage-earners and I think all must feel that this is a desirable end. The more the wealth of the country is distributed, the less socialistic will be the tendency among the masses of our people." <sup>9</sup>

These savings schemes are ordinarily conducted on the voluntary basis. However, one group of utilities companies in the Middle West, employing about 1,400 workers, has for several years been enforcing an order that each employee shall save and "soundly invest" at least ten per cent of his wages. The results of this plan are reported as follows: "Only two persons have left because they could not or would not save; there has never been a strike or walkout in the companies; no union organization exists." <sup>10</sup>

Company thrift clubs or savings clubs are frequently oper-

<sup>9</sup> *Industry*, May 23, 1925.

<sup>10</sup> *Financial World*, July 25, 1925, p. 101.

ated in coöperation with a mutual benefit association. They usually have a pay envelope "check-off" arrangement to help the workers save systematically. The results from these clubs are pointed out by one authority, connected with the Dodge Manufacturing Co.: "The corporation benefits in all of this from the very valuable fact that these men who formerly considered their wages inadequate have demonstrated to their satisfaction that it was not inadequacy but carelessness that had prevented them from saving money." Thus are wage grievances silenced by some of the largest American corporations.

### *Health Work Healthy for Bosses*

Large concerns find it wise to spend money to prevent sickness among their employees "not for sentimental reasons but because it pays," says Dr. William L. Munson, district health officer of New York State, in a recent radio talk. And the National Industrial Conference Board adds that "the medical service in industry, upon which American manufacturing establishments are spending millions yearly, is proving a paying investment, yielding valuable dividends in health, in stability of employment and in elimination of waste."

These two statements represent the present attitude toward this form of welfare service in industry, which is costing the 500 firms studied by the National Industrial Conference Board more than \$5,000,000 annually.<sup>11</sup> This report states that "there is a growing recognition of the fact that medical service in industry promotes stable social conditions, enhances the contentment of the workers and adds to the productiveness of an industrial enterprise." Similar advantages to the employer are noted by W. Irving Clark in his *Health Service in Industry*. Some of these are—reduction of absences, reduction of number of accidents thereby reducing the accident insurance rate, preservation of the health of valued workers, prevention of

<sup>11</sup> *Medical Care of Industrial Workers*, 1926.

labor troubles, increased good-will of the workers, and the prevention of lost time through sickness.

One writer, describing the function of the company physician, says: "The employer expects from such a man and his department marked reduction in the amount of payments for workmen's compensation and in time and production lost. When the physician works upon sound principles the results show a greater contentment and steadiness, due to right attitudes of mind among workers."<sup>12</sup>

In their *Popular Encyclopedia of Health*, Frankel and Armstrong point out that medical and health departments in industrial plants have become common first, because the workmen's compensation acts have thrown upon the employers the burden of the expense of medical care of injured workers, and secondly, because employers are realizing that a physically defective worker or sick worker is an inefficient worker with consequently lowered production value to the company. The same writers describe the uses of a psychiatric industrial worker in the following illuminating paragraph:

"The chronic kicker and general trouble maker is often in reality a maladjusted person or a nervously disordered person. The services of a competent psychiatrist in an industrial plant can save much unhappiness and many a nervous breakdown."

It is estimated that the present cost of the medical and health service by the corporations using it has risen from \$4.43 per employee in 1920 to \$5.14 per employee in 1924. This represents approximately \$3.62 on every \$1,000 paid out in wages.

A recent study of medical and hospital service for industrial workers made by the United States Bureau of Labor Statistics covers some 400 representative firms employing nearly two million workers. It shows that there has been a great advance

<sup>12</sup> Cuthbert Hicks: "Workers' Physician a New Force in Industry," *New York Times*, March 30, 1924.

in these services in the last ten years.<sup>13</sup> The report describes, among other things, the payroll deduction methods used by many mining concerns. A certain amount is taken from the monthly wages of each worker to provide for medical and hospital service. In most cases, however, the facilities are free. In a few the work is in charge of the mutual benefit association, the workers' dues covering the expense of the medical service. One of the largest firms mentioned in the report spends over \$700,000 a year for medical service for its 17,000 workers and their families. But this is an exceptional company, and its expenditures run to more than eight times the per capita expenditures of the average firm. Among the medical services mentioned in the report are first aid equipment, hospitals, doctors, visiting nurses, nutrition experts, psychiatric advisers, X-ray technicians, masseurs, chiropodists, basal metabolism clinics, special tuberculosis treatment, and dental clinics.

As noted above, much of the health work by employers is conducted for the sake of preventing more thorough state regulation and legislation which might bear down harder on profits. It should also be added that company doctors are often those who do little around the plant except to write in the proper space on the workmen's compensation blank—"the above party is not entitled to compensation."

In a great many instances health services such as visiting nurses, are provided by companies in connection with group insurance plans, relief plans, and mutual benefit associations.

In the prevention of accidents the American employers have taken many steps, although we still find that some 35,000 workers are killed and some 2,500,000 injured through industrial accidents each year. In Pennsylvania alone the last ten years have produced 24,699 industrial deaths and 1,811,699 injured. Through such organizations as the National Safety

<sup>13</sup> *Monthly Labor Review*, U. S. Bureau of Labor Statistics, January, 1927, p. 7.



Council and the Safety First movements anti-accident propaganda is carried on. The safety talks, however, have often been the entering wedge of other employer ideas not so wholesome for the workers. Safety committees exist in many plants and are also present in the form of subcommittees of company unions. In fact many company unions, like those at the plants of the International Harvester Co., seem to spend most of their time listening to reports of subcommittees on safety and accident prevention.

At an Industrial Accident Prevention Conference held in Washington in July, 1926, Secretary of Labor Davis stressed a "practical" economic argument in favor of greater safety measures in industry. He declared that our prosperity was being copied and our methods of production studied, that keen international competition was in the offing, and that "against that coming competition we must look to this waste of lives and limbs. If we had no humanitarian reasons for protecting our human machines from this needless annual total breakage, the hard economic safety of the country must in time drive us to the hard business principle of saving money by saving men."

In spite of all the "hard" safety talk of the industrialists the heavy accident rate continues. Moreover, the employers have given little or no attention to many occupational diseases growing out of the worker's services in hazardous and unhealthy industry. Neither have any restrictive measures been adopted to deal with many new industrial poisons and chemicals.

Labor's own health work, under strictly trade union auspices, is one way to encourage the application of safety and health measures far beyond the limits set by employing corporations interested primarily in cash profits. Union health centers and clinics such as those established by New York garment unions help to keep the workers creatively interested

in their union. The Workers' Health Bureau, supported by 180 labor organizations, has done important work in urging federal control of unsafe and unguarded conditions. It is also working for the further reduction of hours in extra hazardous lines and the adoption of uniform workmen's compensation laws. It takes up matters which are naturally not included in the health programs of the corporations. Among other things it drafts trade union health agreements, organizes union coöperative clinics, and "prepares health data for the reduction of working hours."<sup>14</sup>

### *Employee Magazines*

Closely allied with all the above-mentioned forms of welfare and a recommended part of any "well-rounded personnel program" is the "employee magazine." According to the National Industrial Conference Board it "has come into widespread use in the past decade as a practical method by which closer contact among those engaged in industry may be achieved."<sup>15</sup>

Most of the more than 500 such magazines now in existence are issued monthly, and have been established during the last decade. Like other devices which we have been discussing, many were instituted during the war and post-war personnel crusades, and died during the depression of 1920-21. But the hardier ones survived and constitute to-day one of the major defenses of non-union industrial establishments. When labor organizers attempt to enlist the workers in these plants, they find themselves immediately confronted with them.

Why are these house organs for workers established? Why are they heartily endorsed by such ardent anti-union groups as the American Plan Association of Cleveland? Why are they recommended and installed, as we have noted, by the Sherman Corporation and other great labor espionage con-

<sup>14</sup> *American Labor Year Book*, 1927, p. 170.

<sup>15</sup> National Industrial Conference Board: *Employee Magazines in the United States*, 1925.

cerns? To answer these questions we need to examine the purposes and contents of these journals.

The general aim of "company boosting," of course, underlies all of these organs. Like company unions they are regarded as one of the most effective agents for "selling" other types of welfare to the worker. They cultivate his mind and prepare it to accept other schemes which tie him closer to the company and cut him off from the labor unions.

The corporation publicity men describe the purpose and function of these magazines. They talk about "developing the spirit of loyalty, coöperation and pride of accomplishment." There are many words about "good-will between employees and management," about "bridging the gap between capital and labor," and about "making industry human." The employee journal is called an "industrial lubricant" and it is said to be an excellent medium through which to build up confidence in a company union, or in a stock-selling scheme. It also helps the employer to "sell industrial peace" and to "combat socialism" and other "enemies of our civilization."<sup>16</sup> A writer in the *Iron Trades Review* (April 16, 1925) says, "The purpose is to create an impression of an association or mutuality of interest"; and a textile company reports that "the employee magazine is the best means of correcting the 'soulless corporation' idea."

Another writer in *Printers' Ink* (May, 1926) gives a more general hint of the uses of such a journal: "An employees' magazine," he says, "is generally the answer to some demand from the management for a 'pepping-up' of the morale of employees. It obviously becomes a preaching publication that glorifies the good works of the management." Perhaps it was some such conception as this that James Myers had in mind when he wrote, "There are no circumstances in which

<sup>16</sup> W. R. Winans: "What Employee Publications are Doing to Improve Industrial Relations," *Industrial Management*, April, 1925, p. 213.

Capital looks more like a hypocrite to Labor than in the publication of the so-called 'employee magazines.'"<sup>17</sup>

What kind of material is used in these organs? In the first place it should be noted that the columns are not filled with workers' letters, grievances and discussions of working class topics. There is no free speech in this realm for the workers. D. C. Vandercock makes this clear in *Industrial Management* (May, 1925) when he writes, "Editors of personnel periodicals are almost unanimously agreed that their columns should not be offered to the workers for discussion of uncensored controversial questions." He says there are other places to discuss such controversial questions as unionism. However, it is agreed, there is no better place for "teaching economics" to the workers—the sort of economics we have discussed above—thoroughly "safe and constructive." Examination of some 300 such organs by the National Personnel Association showed that during a period of wage disturbances, only one of these journals opened its columns for a frank discussion of the subject. "In another case there was a brief editorial referring to the subject and in the third instance there was a cartoon showing capital and labor playing cards . . . the other 297 had no references to wages."<sup>18</sup>

The leaders in this branch of personnel service have written extensively on the contents and technical make-up of these journals. One of them tells the editors that in teaching economics through the publications they should "tie up to these messages some admired and highly respected person. Capitalize his personality. He has a following. Cash in on it."

This is "good psychology," as is also the observation made by Tead and Metcalfe in their book on *Personnel Administration*:

"There is one personal note that always claims the attention of the working force. Nothing appeals to the average man more

<sup>17</sup> James Myers: *Representative Government in Industry*, p. 160.

<sup>18</sup> Jean Flexner: *New Republic*, April 9, 1924, p. 171.



than his babies. Most of the company magazines recognize this fact, and print all kinds of reproductions of proud parents and their children. Often there is a section of the paper devoted entirely to this phase of factory news."

A glance over almost any employee magazine will convince one that the editors have not neglected the "baby stuff." A striker on the Interborough Rapid Transit lines of New York City told the writer in 1926 that the editor of the *Interborough Bulletin* had been pestering him for months to get his children's pictures. This motorman was one of the few workers who refused to help the company in its plans to use family photograph albums as a veil to hide the tyrannies of the company union "Brotherhood" and the "yellow dog" contract. All the company periodical experts agree "it is a good plan to use photographs and plenty of names."<sup>19</sup> Some of the editors make a practice of having the name of each worker appear in the journal once every three months or at least once or twice a year. A. W. Rowley, production engineer of the Harder Manufacturing Corporation, says, "They like to see their names in print. The wise editor will see to it that every worker's name appears in the publication at least once a year, if the organization is not too large, or at least he will not refer to the same people continuously."<sup>20</sup>

The same writer shrewdly observes that the workers "are not interested to any great extent in reading about the vacations of the officers of the company. They would rather be left to imagine that the officers are on the job continuously looking after the workers' interests." However, the wise editor puts in all the news and photographs he can gather concerning the vacation experiences of the workers. They are encouraged to write about the one or two weeks they may happen to spend away from the job during the summer. Then, when they get back to work, one way of cheering them up is to give them

<sup>19</sup> H. R. Baker: *Sales Management*, March 20, 1926, p. 423.

<sup>20</sup> *American Management Review*, February, 1925, p. 41.

public credit for some task they have performed. If speed-up efficiency is required, appeal to the natural vanity of the worker, advises John Leitch. In *Man to Man* (p. 218) he says: "If a worker, a gang or a department does something exceptional, give the feat all publicity. . . . Nothing is more stimulating. Nothing is better calculated to bring out hidden capabilities in men and women who have previously gone along in a twilight of hopeless drudging."

Although wages, hours and other subjects that savor of labor union demands are taboo in these organs, there are certain types of articles which bear on the "economic advancement" of the workers which are highly recommended. Rowley (*supra cit.*, p. 41) says workers will read with pleasure articles such as "What Opportunities of Advancement Does the Business Offer?" or "How Can I Win Advancement from the Company?" After this type of article comes the one that shows them "how to secure the greatest reward for their present services, as, for example, 'Recognition of Good Deeds,' 'Suggestion Winners and Rewards,' 'Better Ways to Do Work,' 'Why an Incentive Wage Payment Scheme is Used,' 'Why and How Time Studies Are Made' and the 'Importance of the Individual Worker's Time Ticket.'"

In spite of all the articles on how to install and conduct a successful employees' house organ, there are many members of the personnel fraternity who feel that the ideal has not been reached. Particularly scathing are the comments of James B. M. Clark, writing in *Industrial Management*, January, 1924. He says:

"Consider the average house organ. Is it not too pathetically true that its pages are for the most part full of nice nothings, trite trivialities, sentimental sops? Are there not reams of paper wasted on uplift poems, congratulations to Mr. Walter on his birthday or to Mr. Henry on the birth of a son, cheap epigrams culled from the newspapers and magazines, and cheaper jokes; patriotic platitudes, perpetual references to the country's great-

ness and its advantages over other countries, *and always and ever the exhortation to work harder and produce more.*" (Author's italics.)

Clark apparently believes the appeal should be more refined and the writing more inspired with dignity and grace. He perhaps does not realize that such a journal cannot afford to be "high brow." In the language of one company executive, it "should fill the same place in the organization as the small town newspaper fills in the life of the community in which it is located." In a country of tabloids, movie sheiks, jazz babies and five-and-ten-cent store musical and literary tastes, Clark appears to be asking the impossible.

That the foregoing estimates and observations are not exaggerated, we may learn upon examination of a few of the typical, and, indeed, the more dignified employee magazines now published for the workers in certain large industrial plants.

The *Schenectady Works News*, one of the dozen employee journals issued by the General Electric Co. in its various works, frequently carries articles glorifying the lives and deeds of high company executives. It contains hundreds of pictures of the workers in groups, particularly on happy occasions when they are eating, or enjoying sports, outings or parties. Articles explaining various items in the personnel program are also included, and there may be a picture of the Prince of Wales seated on a rail fence at his ranch in Canada and described as a "regular fellow." Reports on the suggestion committee's awards, pictures of big families, pictures of the safety committee and the company union committees, articles on Americanization, a "Boys and Girls Corner" and the names of workers applying for naturalization papers are also included. In one issue of this journal (January 18, 1924) a lady from the publicity department of the works "tells why the General Electric Girl is a Happy Worker," ending with this exuberant paragraph:



"So you see we G. E. girls work and play and enjoy it under the protecting wing of the Company—every one working, thinking, planning and helping in the manufacture and distribution of those electrical products which put light where darkness should not exist, and which make easier the work in the factory, the store and the home—this is the duty as well as the pleasure of the G. E. girl."

The Western Electric Company publishes two such organs, one, the *Hawthorne Microphone*, at its plant near Chicago. The issue of July 20, 1925, contained pictures of local veterans and bathing beauties. "Kind Words from Legion" described the part the plant would take in a National Defense Day Test. "For Feminine Fancies" is the name of one department in the paper, and a bobbed-hair contest is one of the feature news stories. Sport pictures and personal chit chat, announcements of picnics, etc., make up the rest of the contents.

Typical issues of the *Pacific Mills Bulletin*, issued monthly by the great textile corporation at Lawrence, Mass., contain full reports on the meetings of the company union committees. For example, from the Lower Mill, we have this item in the "Council Notes": "Mr. Hood stated that a number of cockroaches had appeared in the Weave Room and Mr. Mailey reported that precautions were being taken to rid the Mill of them." There are also announcements of "suggestion awards," reports on the bowling league, the fall banquet of the Overseers' Association and a musical comedy given by the workers. There are "instructions in bridge," the picture of a girl "burler" who has left the mill to join the Novitiate of the Grey Nuns of the Cross and other personal news and gossip, together with a speech by the advertising manager of the mill to the company union representatives on Advertising Our Worsted Products.

*The Westinghouse Electric News*, one of the three organs published by the Westinghouse Electric and Manufacturing Co., is a well-illustrated magazine. The issue of November,



1925, carried a huge turkey on the front cover, President Coolidge's Thanksgiving Proclamation, pictures of baseball teams, jazz bands and workers on vacation, together with a long illustrated story on the presentation of a Westinghouse automatic electric cooking stove to the winner of a national bathing beauty contest at Atlantic City. Other issues of the *News* have contained articles dealing with "changes made in Westinghouse waffle iron," "Developing a Pleasing Personality," editorial observations on the duty of workers cultivating "less me and mine and more thee and thine," instructive pieces on "How to Budget Your Income and Invest" and "How Do You Display the Flag?" The *News* has what it calls "shop reporters" to turn in news dealing with weddings, christenings and local Sunday School "sociables."

Many corporations have introduced company papers in connection with their campaigns to rid their properties of union men and organizers. For example, the *Pennsylvania News*, one of the six journals published for the workers on the Pennsylvania Railroad, was established in 1922 to help stamp out the last vestige of organization among the shop crafts and other workers. It was bitterly assailed at its birth by officials of System Federation No. 90, affiliated with the Railway Employees' Department of the A. F. of L. The announced purpose of this paper, like other such organs, was to get the workers "better acquainted" with each other and with the property.

Of the nearly 500 employee magazines analyzed by the National Industrial Conference Board, 252 were published by manufacturing concerns, 85 by commercial firms, 36 by railroads, 90 by public utility companies, 22 by financial concerns and 5 by mining companies, practically all of them being corporations that have destroyed or prevented real labor unionism among their workers. Some companies, such as the General Electric, spend as high as \$75,000 a year in issuing

these papers.<sup>21</sup> The total cost for all American concerns now printing these magazines has been placed as high as \$5,000,000. Most of the editors are professional newspaper or publicity men drawing more than adequate salaries. In only a few of the corporations do the workers pay anything for these papers. They are distributed free, often on pay day, and are handed out to the workers as they leave the plant. A few of those issued without expense to the company are really the official organs of the company unions and are included as part of the "benefit" derived from the dues paid into the company unions. Others are issued in the name of employee benefit associations and employees' clubs.

A full list of 539 companies which have reported the establishment of these magazines to the National Industrial Conference Board is given in *Employee Magazines in the United States*.<sup>22</sup>

#### SHOP PAPERS

One of the most significant developments in labor journalism has come out of the desire of the unorganized workers, particularly the more radical and resourceful ones, to find an antidote for the "employee magazines." During the last two years scores of "shop papers"—or shop nucleus papers—have sprung up to answer the propaganda of the employer-owner and subsidized journals. They deserve special mention here both because of their direct bearing on the "employee magazines" issued by the corporations and also because of their influence in counteracting the deadening effects on the workers' minds of the many other welfare devices which we have discussed.

Most of these papers are four-page affairs, either printed or mimeographed. They are usually published by the factory

<sup>21</sup> American Management Association: *Cost of Representative Employee Magazines*, Annual Convention Series, No. 44.

<sup>22</sup> *Supra cit.*, pp. 65-86.

nuclei of the Workers' (Communist) Party, but the actual work of editing them, once they are under way, is done by the more progressive workers in the plants. One of these papers, *The Ford Worker*, is issued every fortnight and now has a bona fide circulation of over 20,000. It regularly receives many more letters from the Ford employees than it can print. The appearance of this paper at the gates of the big Ford plants in Detroit is an event awaited with keen interest by the workers. They rush the news agents who peddle them as soon as they hear that a new issue is out. The paper is sold at a cent a copy, as are most of the other papers of this type now issued in the automobile industry, in mines, machine shops, rubber plants, steel mills, electric supply concerns and clothing factories.

It is, of course, impossible for those who issue this kind of employee magazine to use company guards and janitors to distribute them at the company gates! Indeed, for any one to give such a paper away on company property is always dangerous and to give it away even on public property outside the gates is to invite arrest on a charge of littering the sidewalk, issuing handbills without a license or some other convenient local ordinance which the company police are prompt to invoke. Even when the paper is sold, like other newspapers, the local and plant police put every obstacle in the way, and frequently make arrests to discourage the volunteer distributors. For example, two workers who were distributing the *Durant Hayes-Hunt Radiator* at Elizabeth, N. J., in the summer of 1926, were arrested and held each on \$5,000 bond which was later reduced to \$1,000. The workers arrested were union men not connected with the Durant plant—for a plant worker to attempt distribution of the paper means, in most cases, immediate "lay off," if not worse. For their attempt to enlighten the workers, they were charged with disorderly conduct, loitering, distributing threatening literature tending to incite a breach of the peace, scattering papers



on the sidewalk, unlawfully interfering with factory workers, etc. The paper, it need hardly be mentioned, did not "incite" to anything except straight unionization. Neither did it litter the sidewalks, as the workers grabbed and held on to it as eagerly as they read it. In much the same manner, five workers who were distributing the *Hood Rubber Worker* in Boston, were arrested. Practically every one of the shop papers issued in this country has met with a similar reception from corporations that want no outside competition for their house organs.

In spite of the many difficulties of distribution these worker-edited papers are increasing in number and in influence. Their contents stand in marked contrast to the employer-edited journals. They talk of unemployment, grievances, hours, wage-cuts, speed-up systems, accident hazards, group production payments, the right to organize and the hundred and one vital matters concerning the workers' job. Being issued in non-union plants, and in basic unorganized industries, they naturally lay repeated and emphatic stress on the value of organization. "Join the Union," "Organize," "Build a Powerful Union" are the titles of articles, the texts of editorials and the constantly repeated slogans with which they urge the workers to join the A. F. of L. unions.

A brief survey of the contents of several of these papers will serve to show their purpose and content in contrast to that of "employee magazines."

*The Packard Worker*, issued in the great Detroit motor plant, exposes the bosses' bonus schemes and other welfare devices. Such digs as the following are common: "Packard gives every worker a gold watch after he has slaved ten years for the company. After he has worked long enough, he will be in line for a pair of crutches."

*The Ford Worker*, mentioned above, in its issue of February 1, 1927 (Vol. 2, No. 3) presents on its first page a Robert



Minor cartoon of a brawny worker about to give the plug-hatted capitalist a blow on the nose. The caption reads: "The mighty arm represents Organization Plus Class Consciousness! It's the only thing the greedy employers fear." Articles on Ford's "letting off" of the older men; one entitled "From Three Shifts to Three Days," commenting on the increasing slack work; one on "Another Six-Day-Pay Promise," together with cartoons, poems by workers and an editorial on the profit motive in the employers' safety councils—give one the sense of a militant, well-informed editor, or editors, who know their factory and their local conditions, as well as the labor movement.

*The Westinghouse Workers Bulletin*, which takes the field against the management organ described above, fights for a union, an increase in wages and the end of the company "joint council" hypocrisy. It asks the representatives running for jobs on the company union committees, "Will any of the candidates pledge themselves to fight for a 25 per cent raise, an eight-hour day and a five-day week?" The *Bulletin* also shows up the subtle wage-cutting methods of the company which follows the familiar Ford and General Electric practice of transferring workers from one department to another and reducing their wage ratings in the process. Aiming to make the company union delegates pay some attention to the real grievances of the workers and less to the company welfare schemes, it says: "It's about time our representatives on the Joint Conference Committee cut out talking insurance, building and loan, picnics and other insignificant things. The most important subject for the committee to consider is wages." It then gives the current Westinghouse wages, comparing them with workers in other trades and industries.

*The Workers' News*, put out by the workers in the Dodge Company's automobile plant in Detroit, stresses the lot of the worker under the gang system used by the company. A typical report is the following:

"In Dept. 53 we have the gang system, which is a money-saving device for the company. If we work on a piece which has to pass through 20 operations and the job is spoiled on the 20th operation all men who have worked on it up to that time lose all the time they put in, and if the job comes back for repair, we are not paid for the time used in repairing. There is no one satisfied with this damn gang system. But what are we going to do about it? *Join the union and we'll spike the gang system.*"

The appeal to get into a union is always underlined.

Sometimes the awakening effects of a paper distributed or sold to the workers is almost instantaneous. In the second issue of the *Durant Hayes-Hunt Radiator*, we read, "Workers from Dept. 50 of the Durant plant responded to the call of the first issue of the *Radiator* by stopping work for three hours, demanding an eight-hour day and an increase in wages. As a result of the unity of these men they were granted an eight-hour day and an increase in wages." The *Radiator* urges the other departments to do likewise and to act, "not by one department at a time, not by fifty men at a time, but by the united action of the 4,000 workers in the plant." Like the other shop papers, the *Radiator* gives the names and addresses of the three A. F. of L. unions to which the workers are eligible to belong and urges them to enroll immediately in these unions.

Other important shop papers that have developed real influence in their respective plants and have become the voices at least of the more progressive workers are published in Cleveland, Buffalo, Philadelphia, Pittsburgh, Chicago and New York. Some of the more important are the *Headlight*, issued by workers in the Edward G. Budd Manufacturing Co. in Philadelphia; the *Studebaker Worker*, covering the big Studebaker automobile plant in Detroit; the *Deering Worker* and the *Harvester Worker*, issued, respectively, in the Deering Works and the McCormick Works of the International Harvester Co. in Chicago; *The Dodge Worker* (Dodge Bros.,

Detroit); the *Otis Worker*, issued for the Otis Steel Co. in Cleveland; the *Workers Point* of the Pierce Arrow Co.; the *Fisher Body Worker* (Fisher Body Plant, Detroit); the *Motor*, for the White Motor Co., and various other journals known as the *Hot Ingot* (United Alloy Steel Corp.); the *Hammer*; the *Red Rim*; *The Wright Propeller* (Wright Aeroplane Co.); the *Spotlight*; the *Tipple*; the *Rivet* (Pullman Co.); the *Eagle Workers' Point* (Eagle Pencil Co.); the *Head Light*; the *Baldwin Worker* (Baldwin Locomotive Works); the *Chrysler Worker* (Chrysler Corp.), and the *Workers Voice* (Endicott Johnson Corp.).

Some of them cover a number of plants in the same community, such as the *Spark Plug*, issued for Cleveland workers in the Chandler, Fisher Body, National Acme, Willard Storage Battery and Electric Vacuum Cleaner companies. Such mimeographed papers carry news about grievances in each of the companies mentioned on the masthead.

Although these factory papers, with their workers' correspondence, Letter Boxes, Workers' Corners, Section Notes and their militant, realistic appeal, devote themselves to the genuine grievances and interests of the workers in the plants which they serve, they have learned from the employers' magazines that they cannot afford to be as dry as dust. Cartoons, jokes, rhymes, anecdotes, pictures, all play their part in making a varied, intimate, personal and popular appeal to the workers, many of whom are reading a worker-edited paper for the first time in their lives. The papers are thus not arid columns of facts and statistics and editorial appeals to join the union. They have a human ring that cannot help but attract the worker and make him feel that the little paper for which he pays a penny is his own champion, vitally interested in his daily job conditions and sincerely bent on helping him to organize.

The struggle going on in unorganized industry between these shop papers and the free handout magazines of the

corporations is a part of the wider awakening of the workers to the menace of paternalistic and "benevolent" feudalism. The former will continue to concentrate on the message of unionism, on the various forms of employer oppression, on the hypocritical welfare devices, on the delusion of company unionism. The latter will doubtless continue to "sell" their workers a certain kind of "family loyalty" along with personnel plans calculated to attract and hold the devotion of the docile. The outcome of this struggle will be a reflection of the outcome of labor unionism in the United States. The labor movement, if it is to really *move*, will have to use more and more the shop paper to oppose the employers' weapon, the employee magazine.



## CHAPTER XII

### LABOR'S CRITICISMS AND REMEDIES

THERE is no room here for an extended analysis of organized labor's attitude toward personnel activities and welfare in general. We have already indicated this attitude toward some of the specific welfare services discussed above. Labor's traditional position, as is well known, is one of opposition, of suspicion, or at least cynical doubt. The workers have so often seen the benevolent—and crafty—employer use these activities to serve his purpose. They have seen unions weakened and undermined through a timely applied piece of welfare work—"hell-fare work" as Samuel Gompers used to call it. They have seen strikes broken through the "loyalty" which these devices exist to create. They know, better than any other class of persons in American industrial society, the destructive effects of these activities upon the building up of labor unions. They know that "shop solidarity" and "loyalty"—as the corporations understand these terms—are not compatible with labor solidarity and coöperation.

It should be noted, however, that welfare work is not confined to non-union companies. Many that deal with unions, representing at least a part of their workers, also employ some of the benefits and services we have been discussing. For example, many of the railroad companies while dealing with the four train service brotherhoods, and even with the shop crafts unions, as on the Baltimore and Ohio, will at the same time encourage independent associations of employees for recreational, social and other purposes. There are also a few companies where the union, having been fully recognized,

looks upon the welfare work of the employer as beneficial to the workers and not for the purpose of defeating the union. Such unions accept the service activities of the company and may even coöperate in carrying them on.

This latter practice has gone to the extent of having certain provisions concerning these activities written into the contract between the union and the company. However, in some instances this has been carried too far and certain unions, before it was too late, have decided to alter the arrangement. For example, the Amalgamated Association of Street and Electric Railway Employees in 1925 decided that in the future they would sign no contracts with companies providing that the workers assent themselves for welfare schemes. The local unions were instructed that henceforth contracts were to stipulate that old age pensions, sick and accident benefits and the like were to be considered a charge on the industry and were not to be borne by the union workers.

In discussing the various individual items of welfare we have often intimated the labor criticism of the scheme or have suggested the employers' essentially anti-union purpose in establishing it. It may be in place to note a few labor expressions on the general subject of welfare in order to convey the full labor viewpoint on various non-union schemes.

When in 1926 over a hundred workers at the Packard motor plant in Detroit were given gold watches for completing ten years of loyal service with the company the *Detroit Labor News* remarked:

"If the workers of the automobile factories in the city of Detroit could get their eyes off of gold watches long enough to see the value of an organization of their own creation they might be able to improve their working standards so that it would not be necessary for them to wait 10 years in order to get a gold watch."

Even the personnel managers—the college graduates of high motives who while in school were "interested in labor" and

who later began as industrial Y. M. C. A. secretaries—have been bitterly assailed by labor organs.

The *Journal of the Brotherhood of Electrical Workers* (June, 1926), after noting that the salaries of these personnel executives sometimes run as high as \$30,000 a year—incidentally, more than twice the amount received by a first-class labor leader—says:

“These employee managers fan the fires of hatred against organized labor as a consistent policy of the profession. They know that their jobs are dependent on keeping real unions out of the plant. They act accordingly. A professor of industrial relations is authority for the statement that these employee managers are more responsible for the continued open shop battle than any other force. They spend much of their time fighting unionism. They are specialists in intrigue. Just what is their constructive function in industry is not yet made evident—unless it be to take their share out of the profits.”

Certainly this applies to the employee manager at the plants of the Forstmann & Huffmann Co., of Passaic, at the time of the great textile strike. This gentleman, with his company journal, company union, cafeterias and other devices, was the most bitter and implacable anti-union agent in Passaic. He even refused to answer the letters of Christian ministers who inquired as to the degree of “industrial democracy” inherent in his pet company union scheme.

A characteristic editorial paragraph on welfare that went the rounds of the A. F. of L. press in 1926, and which appeared later in the columns of the big annual book issued by *Organized Labor* of San Francisco, is printed here in part because it represents best the angle from which most conservative union labor still looks at least at the more old-fashioned types of welfare:

“It has come at last to this: There is no welfare work that can serve as a substitute for fair wages. To provide ornate ‘company’ swimming pools for employees whose wages do not enable



them to provide a bathtub at home; to build recreation centers for employees who have not enough surplus to enable them to choose their own recreations, should be recognized as pure folly and contrary to the commonest instincts of self-respect. . . . Workmen know a miser for a miser, but the employer who would cloak the wage deficiency with 'welfare work,' they come speedily to judge as a hypocrite. It is the old principle that men can endure justice but charity galls them."

Practically every labor journal in the country carries frequent articles slamming welfare. The *International Molders' Journal* in an article entitled "Milk from Contented Cows," says that the workers resent anything smacking of welfare and that such work when necessary "should be developed through government organizations."

In recent months a few American unions have begun to realize that purely negative criticism of paternalistic devices must be supplemented by positive works. For example, some of the railroad union executives had been enraged by the success of certain railroad managements in luring the worker away from the union by the use of the athletic enterprises. A chairman of the Buffalo Division of the Brotherhood of Locomotive Firemen and Enginemen had declared at the Railroad Institute at Brookwood Labor College in 1925 that he had been compelled to enforce a strict ban on the bosses' baseball teams which had been used as anti-brotherhood devices. He announced to his members, "If you play with the Athletic Association you can't play with me." And the leaders of the shop crafts on the Pennsylvania had contended that the athletic meets held by the company were all a part of its propaganda against the union. However, Phil Ziegler, the editor of the *Railway Clerk* (April, 1926), reported that the members of his organization would probably participate in the company athletics no matter how much the union officials deplored it. They will do this, he said, "whether we like it or not, *unless the unions can furnish them something of the same nature.*" He then told how the local unions of the



railway clerks in Cincinnati were tackling the problem by launching a program of summer activities including every kind of game, sports, and entertainments. "If there be any ulterior purpose back of company-promoted welfare schemes, that is the way to frustrate it. But whether the motive be good or bad, it is better for the workers to provide for their own welfare through their own organizations. It makes them independent and self-reliant. And their organizations become a more vital force in their lives."

That this is being done by certain unions indicates that they are alive to the dangers of the company sports movement. The Labor Sports Union in Chicago, as we have noted, is doing everything it can to encourage sports among genuine labor unions similar to the sports carried on by union clubs and associations all over Europe. The various machinists' unions in Chicago are doing something and the younger members of this union are particularly enthusiastic over the formation of union-run athletic leagues. Other Chicago unions engaged in these activities are the milk wagon drivers, the electrical workers, the printers and the postoffice workers. Similar activities have been started on a minor scale in other industrial centers.

It should not be forgotten in this connection that the unions have also done something to meet the employee problems which the companies contend they are solving with their personnel and welfare systems. Old age, disability, sickness, unemployment, death—all of these are met by the benefits built up by certain unions. Unfortunately, however, these unions are usually not those with jurisdiction over the big industries where welfare practices have been most rampant.

### *Extent of Union Relief*

In 1926 the A. F. of L. prepared some data for an exhibit at the Sesqui-centennial Celebration at Philadelphia. They

indicated the amounts paid out in benefits by certain American unions. The list included the major A. F. of L. unions and some of the railroad brotherhoods, but not the Railway Trainmen or the Amalgamated Clothing Workers of America, both of which are leaders in dispensing financial benefits to members, the latter having paid out since 1924 to 25,000 Chicago members alone over \$2,700,000 in unemployment benefits. The report showed that during the year 1925 the unions covered had paid out to members in the form of benefits \$20,516,311. Sick benefits amounted to \$1,842,292; death benefits, \$11,020,652; unemployment, \$1,658,327; old age, \$2,823,145; disability, \$950,963, and miscellaneous, \$2,220,932.

Sick benefits were paid chiefly by the unions of bakery workers, barbers, boot and shoe workers, hotel and restaurant workers, letter carriers, operating engineers, plumbers, tailors and molders. Death benefits were paid by practically all unions covered, but chiefly by the railroad brotherhoods. Unemployment benefits were reported by only eleven unions. Old age pensions were paid chiefly by the bricklayers, locomotive engineers, street railway employees and typographical workers. Disability benefits were paid by a number of unions.

These figures are not so impressive as they might appear to be at first glance, and compared with the employers' outlay for welfare, they appear almost negligible. But they show at least that in the few industries or crafts where the workers are organized in substantial unions, they are not compelled to rely on the boss to initiate, control and administer the benefits which help to make life more endurable under the going industrial regime.

### *Superiority of State Over Company Welfare*

In spite of the general attacks on company welfare made by the American union leaders, their whole economic outlook

seems to have been fashioned by the anti-union capitalists associated with the National Civic Federation. Consequently, as we have noted, the union leaders have been slow to take up the fight for social insurance and other measures of state protection. The advantages of state relief in this field as compared with corporation relief, are fairly obvious. 1. It applies to all the workers instead of merely to those who happen to work for large welfare-providing corporations. 2. It applies to all workers whether they work in one industry or another, in one plant or another, and does not depend, like the private company welfare, on any length-of-service and depth-of-loyalty clauses. 3. The labor unions would doubtless have some voice in the administration of state relief and welfare schemes, such as unemployment insurance. This participation in the administration of the state plans could, as in England, be made a means for building up and strengthening the bona fide unions. 4. Legal guarantees of payment would be given and not simply the "if, as, when and maybe" promises of the private corporations. As we have noted above, all the corporation benefit and welfare schemes are voluntary handouts to be withdrawn at the whim of the company. 5. Finally, the relief given under state plans is far more substantial than that granted by the corporations. In fact, the average payments in connection with state social insurance schemes in Europe cost the employers there about five times the amount expended by the average American corporation for all its various welfare activities.<sup>1</sup>

The unions can never meet the "welfare offensive" of the employers by piece-meal measures of union relief, valuable though they may be to the workers immediately concerned. They can only develop a real counter-drive by dropping their archaic American business man notions about the perils of "state interference," and by coming out wholeheartedly for

<sup>1</sup> Abraham Epstein: "Outwitting American Unionism," *New Republic*, April 6, 1927.



comprehensive state or national social insurance systems. Until this is done by a labor movement fully conscious of its potential political power, the unorganized workers are going to continue to catch at every straw of welfare thrown to them by the employing class.

From what we have learned in the foregoing discussion concerning these various forms of welfare, there ought to be no mystery as to the reasons underlying the introduction of such schemes. Although the companies may play upon the humanitarian key when they are faced with an investigation and need to make a bid for public sympathy, in their more candid moments they have made it amply clear that the whole thing, as Judge Gary of the Steel Corporation ("the corporation with a soul") would say, is "a business proposition." The industrial adviser to the *London Daily Mail* Mission in 1926, reports the truth when he writes, "The employers in the United States are not philanthropists in the conduct of their business. They are giving nothing away. . . . Their altruism is tempered to and regulated by the one and only consideration: will these amenities produce a maximum output? Evidently their experience indicates the reply to be in the affirmative."<sup>2</sup>

Realizing these motives of the companies and what they hope to gain through the devices we have been describing, the American trade union movement must work for effective state legislation to render the masses freer from the ties of the powerful corporations. They must secure at least that minimum protection which the workers in much less prosperous countries now enjoy. They must also tackle the most important job of all, the need for which has been suggested repeatedly in this volume. They must organize the unorganized. The unionless workers have lost every semblance of economic liberty. Leaderless, exploited, isolated, at the mercy of the sometimes benevolent, sometimes merciless corporation, they must be brought within the orbit of the trade union movement. They must be

<sup>2</sup> *Daily Mail* Mission to the United States, 1926: *Report*, p. 85.



won away from a meek and servile loyalty to a company and made loyal to the workers' movement and conscious of their actual class interests. In discussing tactics for meeting the company union we have suggested certain measures equally applicable as an antidote for other welfare schemes, and indispensable in connection with the job of unionizing the non-union workers. One of these is the formation, through amalgamation, of aggressively led industrial unions.

Finally, the need for a labor party representing the interests of the working class is implicit in all we have written above. To meet the varied tactics of the employers, both the open attacks and the welfare offensives, the working class must have political power. It must have a labor party. The building of such a party should be aided by all those who want to see labor unionism go forward in America and a real labor movement created. Such a party will play its historic part in the struggles of the workers for liberation from the present industrial system.

THE END

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